Austria Sch 20; Bahrain Din 0.550; Belgium BFr 45; Canada C$1.00; Cyprus C£0.70; Denmark DKr 8.00; Egypt E£1.00; Finland Fmk 6.50; France Fr 6.50; Germany DM 2.20; Greece Dr 80; Hong Kong HK$ 12; India Rup. 16; Indonesia Rp 2500; Israel IS 3.50; Italy L 1500; Japan Y550; Jordan Fils 500; Kuwait Fils 500; Lebanon L 25.00; Luxembourg LFr 45; Mexico Pes. 300; Morocco Dh 6.00; Netherlands Fl 2.75; Norway Kr. 7.00; Philippines Pes. 20; Portugal Esc 100; Singapore S$ 4.10; Spain Pta 125; Sri Lanka Rup 30; Sweden SKr 7.00; Switzerland SFr 2.20; Taiwan NT$ 65; Tunisia Din 1.375; Turkey L 350; U.A.E. Dh 6.50; U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Crucial test for Argentina's economic plan, Page 18

World news | Business summary

N-power threat to Italian coalition

Italy's nuclear power plans and the new five-party coalition government's fragile unity have been threatened by calls from Socialist Party leaders for a non-nuclear energy programme.

The move, led by vice secretary Claudio Martelli, is a direct result of last week's decision by West Germany's Social Democrat Party to phase out nuclear power if the party wins next January's general election.

On his return from the SPD Congress Mr Martelli caused political uproar by saying that the Italian Socialist Party should take a similar line at its congress next spring. Page 18

Talks on terrorism

US presidential envoy Vernon Walters made calls on the Belgian government and Nato's headquarters in Brussels to discuss US concern about Libya and international terrorism. Page 2

Reporter 'not framed'

A Soviet official denied that US reporter Nicholas Daniloff, arrested in Moscow last weekend for spying, had been framed and said he had been caught red-handed. Page 3

Resignation threat

Israeli Health Minister Mordechai Gur said that he would resign rather than serve in a government led by Yitzhak Shamir, in protest at the Foreign Minister's alleged involvement in the Shin Bet security scandal.

Spain recalls envoy

Spain recalled its ambassador in Chile for talks after accusing Chilean agents of spying on its Embassy, saying explanations given by the Chilean authorities were unsatisfactory.

Soweto funerals

South Africa imposed restrictions on the funerals on Thursday of at least 21 blacks killed last week in riots in Soweto township near Johannesburg. Pretoria concedes on Soweto debate, Page 6

Iraq expulsion call

Iran demanded the expulsion of Iraq from the Non-Aligned Movement at the group's Harare summit. Page 6

Afghanistan plan

Afghanistan is to move up to 300,000 people out of its embattled eastern provinces as part of n long-term strategy to develop the sensitive border area with Pakistan, officials said.

Polish amnesty terms

The Polish Government said opposition members jailed for serious political offences could be freed after the mid-September deadline of Poland's clemency act.

Philippine floods

Floods sweeping the northern Philippines have killed 19 people. President Corazon Aquino, who had to be ferried from the presidential palace in a rubber dinghy, declared a state of calamity.

Uganda detains 25

The Ugandan Government has detained 25 people suspected of conspiring to overthrow President Yoweri Museveni and set up an independent monarchist state for the Baganda tribe, a government newspaper reported.

Tobacco heir jailed

Tobacco heir Steven Wayne Benson, 33, was sentenced in Florida to two consecutive life terms in prison for the car-bomb murders of his millionaire mother and adopted brother.

Balloon record set

Three Dutch balloonists set a record for an Atlantic crossing with a time of 50 hours and 14 minutes – almost two hours inside the previous record.

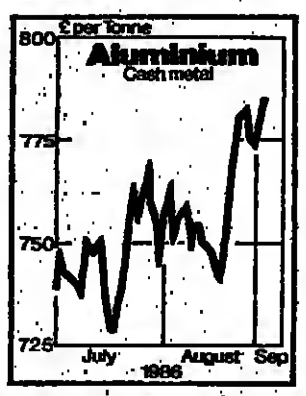
GM debt put on watch by S&P

GENERAL MOTORS' medium and long-term debts have been placed on a "creditwatch" by Standard & Poors', one of the leading US credit rating agencies. Last week GM, the largest US car maker, announced a costly programme of subsidised consumer financing. Page 18

WALL STREET: The Dow Jones industrial average closed 27.98 down at 1,870.36. Page 38

LONDON: Equities fell to profit-taking after eight days of rises and gilts ended mixed. The FT-SE 100 share index ended down 5.0 at 1,667.8, while the FT Ordinary index lost 2.7 to 1,320.0. Page 38

TOKYO: Blue chips were forced lower by profit-taking. The Nikkei average fell 125.82 to 18,694.93. Page 38



ALUMINIUM cash metal price rose to a 2½-month high on the London Metal Exchange due to a strike at Noranda's smelter in Montana. The price was up £11.50 to £785 n tonne. Page 30

DOLLAR closed in New York at DM 2.0260, SFr 1.6345, FFr 6.640 and Y154.05. It rose in London to DM 2.0315 (DM 2.0240); FFr 6.6600 (FFr 6.6475); SFr 1.6390 (SFr 1.6330), and to Y154.25 (Y153.80). On Bank of England figures the dollar's index was 110.2. Page 33

STERLING closed in New York at $1.4940. It fell in London to $1.4895 ($1.4905) but rose to DM 3.0250 (DM 3.0175); FFr 9.9200 (FFr 9.9100); SFr 2.4425 (SFr 2.4350), and to Y229.75 (Y229.25). The pound's exchange rate index rose to 71.1 from 71.0. Page 33

GOLD rose $1.25 to $393.00 on the London bullion market. It also rose in Zurich to $394.375 from $391.75. In New York the December Comex settlement was $411.50. Page 32

EASTERN Air Lines, troubled US airline whose bid to merge with Texas Air was blocked last week by the US Transportation Department, has announced a cost-cutting programme designed to produce savings of more than $160m a year. Page 19

CRA, Rio Tinto-Zinc's 52.3 per cent-owned Australian arm, announced a half-year net loss of A$125.8m (US$76.7m) compared with a profit of A$56.6m due to currency exchange losses and depressed markets for mine products. Page 20

SIME DARBY, diversified Malaysian group, reports 27.5 per cent fall in pre-tax profits to 152.6m ringgit ($59m) for the year ended June, compared to the year-ago period. Turnover fell 4 per cent to 2.248m ringgit. Page 20

AMCOR, Australian diversified paper and packaging group, reports n 14 per cent profit increase to a record A$95.3m (US$58.1m) in the year to June 30. Page 20

MONTEDISON, Italian chemicals, energy and pharmaceuticals group, announced a sharply higher profit of L227bn ($163m) in the first half of this year compared to L16bn in the year-ago period. Page 22

SASOL, partially privatised South African oil-from-coal producer, increased sales and profits in the year to June 28. But the group is counting on new assistance from the state for part of its revenues in the coming year. Page 20

Moscow moves quickly to reveal scale of liner disaster

BY PATRICK COCKBURN IN MOSCOW

ALMOST 400 people are dead or missing, feared drowned, after a Soviet cruise liner sank in the Black Sea on Sunday.

The cruise liner Admiral Nakhimov, carrying 1,234 passengers and crew, collided with a Soviet grain freighter and sank almost immediately, a Soviet spokesman said yesterday.

Mr Leonid Nedyak, deputy merchant marine minister, told a news conference that 79 people died and another 319 were missing, most of whom he believed had gone down with the ship, which sank 15 minutes after its hull was ripped open by the freighter.

The announcement of the casualty figures and full information about the accident – the worst in Soviet maritime history since the second world war – less than 48 hours after it occurred late on Sunday night marks a significant change in the way disasters are reported in the Soviet Union.

In the past disasters have either not been reported at all or with limited details. In the aftermath of the Chernobyl nuclear accident the Politburo has evidently decided that in line with the new policy of "openness" details of such accidents are to be made available immediately to the foreign and domestic media.

Mr Nedyak said that the Admiral Nakhimov, a 17,000 dwt cruise liner built in 1925, had just left the Black Sea port of Novorossiysk with 846 passengers and some 346 crew when it was struck by the grain freighter Pyotr Vasev. The freighter hit it between the engine room and the boiler room and "ripped the ship open."

The high casualties are explained by the speed with which the Admiral Nakhimov sank, giving no time to launch the life boats.

Survivors clung to rafts and 50 Soviet ships assisted by helicopters are still searching the area. Nobody was injured aboard the freighter, which is still afloat.

In an interview with the evening newspaper Izvestia, the helmsman of the cruise liner said his ship had just left port: "We saw the bulk carrier far ahead. The duty officer started calling it by radio – we took its bearings and realised that the ship was to cross our path – and after a moment the answer came from the Pyotr Vasev: 'Don't worry – we shall steer clear of each other.' A few minutes later we repeated the call since the bulk carrier continued on its course. Then I saw it cutting into our side. It went astern but it was too late."

Mr Nedyak said yesterday that it was too early to attribute blame for the accident.

A commission of inquiry under Mr Geidar Aleyev, a Politburo member, had been appointed on Monday to investigate its cause. The captains of both ships survived the accident.

He said that there were no foreigners on board the Admiral Nakhimov and that many of the passengers came from the Ukraine. In addition to the dead and missing, 29 people had been injured and were in hospital.

Holidays on board cruise ships in the Black Sea, the Baltic and on the major river systems have remained popular in the Soviet Union as passenger cruises have declined in popularity in the West.

"The worst accident in recent Soviet maritime history occurred in 1983 when 100 people were killed when the passenger ship Alexander Suvorov ran into a bridge on the Volga.

Earlier this year another cruise ship sank off New Zealand after striking a rock but only one crew member died.

Feature, Page 17

IBM declares war on 'clone' rivals to personal computers

BY LOUISE KEHOE IN SAN FRANCISCO

IBM yesterday began an orchestrated effort to counter growing competition from low cost "clones" of its personal computers produced by Far East competitors with the launch of a new high-powered personal computer for business users.

The US group's personal computer sales, which account for about 19 per cent of its revenues, have suffered severely over the past year in the face of an attack spearheaded by Korean, Taiwanese and Japanese computer makers.

IBM's share of the US personal computer market has fallen from an estimated 44 per cent a year ago to around 30 per cent today.

The group has significantly lowered the prices of most of its personal computer models to make them more competitive with the copycat versions which perform the same functions but sell for far less.

IBM is believed to have been particularly concerned about the inroads clones are making into its prized corporate accounts. Early clones were copies of IBM's basic personal computer, but now dozens of manufacturers are offering low cost alternatives to IBM's business-style personal computers.

The launch of the new IBM personal computer, XT model 286, represents IBM's answer to wide criticism that it has allowed clone makers to thrive by not upgrading its personal computer technology significantly over the past two years.

SHARES OF THE US RETAIL PERSONAL COMPUTER MARKET

	IBM (%)	Clones (%)
August ('85)	44	21
October	40	26
December	37	27
February ('86)	33	33
May	30	36

The new IBM personal computer is an updated version of its PC XT, with an expanded memory capacity and the ability to work three times as fast.

IBM hopes to stem the tide of clone sales to businesses with the new XT model 286, industry analysts believe. Priced at $3,995, it is significantly more expensive than comparable clones, but it offers the possibility of performance enhancement not available from most IBM-compatible models.

The XT model 286 is also regarded as a cheaper alternative to IBM's own PC AT, which sells for around $5,000. It will be an important new product in the growing replacement market for personal computer users who are upgrading to higher performance machines, analysts suggest.

The announcement of the XT model 286 is seen as the precursor to IBM's expected introduction of a new cheaper personal computer which has been unofficially dubbed the "clone basher." This is expected to be a $700-$1,200 basic personal machine that will be produced at n new, highly automated production plant in Austin, Texas. With the clone basher, IBM is said to be aiming to undermine sales of low-cost clones to schools, individuals and small businesses.

By upgrading the performance of the PC XT, IBM has made room at the bottom of its product range for a basic personal computer with performance characteristics higher than those of its current PC.

In addition, the group is said to be planning a new higher performance personal computer, based on the new Intel 386 microprocessor. Already, IBM faces the threat of severe competition at the top and of the personal computer market, with Compaq, the leading US maker of IBM compatible machines, expected to launch a 386-based machine next week, several months before IBM is expected to make its move.

Analysts forecast that IBM will have its worst earnings decline in the history of the company this year. The company's stock price has fallen steadily over the past few months from a high of $161⅞ in April to trade at around $137⅛ yesterday. Compounding the company's problems in the personal computer market is a broad decline in US capital spending that has damaged sales of mainframe computers.

Amstrad unveils battle plans

By David Thomas in London

AMSTRAD, the UK consumer electronics group, yesterday announced details of eight low-priced computer models which will form the platform for its long-awaited attack on the IBM-compatible business personal computer market.

The company, which claims to hold 35 per cent of the European market for home computers, is aiming for "a healthy slice" of the $34bn world personal computer market with its new range said Mr Alan Sugar, Amstrad chairman.

The prices of the new machines, set to undercut almost all the company's competitors in Europe, range from £399 to £949 ($1,414), excluding value added tax.

The most expensive machine offers a colour monitor and 20 megabytes of hard disc capacity.

Monthly output of the machines, made in the Far East, is to be 70,000 immediately, with production likely to move above 100,000 a month once the Amstrad personal computers are launched in the US next January.

Mr Sugar said his target was for sales of 300,000 before the end of 1986 and hoped for total sales of 800,000 in a year. He believed he could sell 50,000-60,000 a month in the US. Matching these targets would make Amstrad one of the largest personal computer companies in the world.

Amstrad expects more than half its sales will be outside the UK, mainly in Europe initially. Mr Sugar said that with the launch Am-

Continued on Page 18

News analysis, Page 7

US and UK set to sign market regulation pact

BY CLIVE WOLMAN IN LONDON

THE UK and US are expected to sign in the next two weeks an agreement designed to crack down on insider dealing and other forms of abuse of their securities and futures markets by international operators.

Negotiators from the UK's Department of Trade and Industry and the Securities and Exchange Commission (SEC) in the US reached agreement on the principles of co-operation between regulators in the two countries two months ago. Since then, the negotiators have been meeting almost continuously in London and Washington to work out the details of the agreement.

It will facilitate the exchange of information between the regulatory authorities in the two countries on illicit trading in their financial markets. A more formal set of treaties is expected to follow. The agreement is also likely to speed up negotiations over other bilateral agreements on the international regulation of securities markets.

In particular, hopes are rising for an agreement between the UK and Japan. Negotiations between the two countries have been continuing at a leisurely pace with a meeting every six months in the last two years. The first such bilateral agreement, between the US and Japan, was signed in May.

Other organisations which have been intimately involved in the negotiations between the UK and US are the Commodity Futures Trading Commission (CFTC), which regulates the commodities and most futures markets in the US, and, from the UK, the London Stock Exchange, the Securities and Investments Board, the embryonic City of London regulatory authority and the Bank of England.

Mr Michael Hewitt, the Bank of England's head of financial supervision, referred to the US/UK agreement in a speech on Monday. He said such bilateral agreements would not necessarily lead to the establishment of an international regulatory system with a consistent philosophy and said that, in comparison, the international banking supervisors had an easier task.

Earlier negotiations between the US and UK were marred by the objections of the UK authorities to the tough line being taken by their US counterparts. In particular, the CFTC and SEC demanded the rights to subpoena foreign witnesses in foreign countries when conducting investigations into insider dealing and other abuses in US markets. They also demanded the right to lift foreign bank secrecy rules.

The US authorities are believed to have been placated by proposals by the UK officials that they could use other weapons to force financial institutions to disclose sensitive information which might be required by US investigators. For example, if and when the Financial Services Bill becomes law, the STB could isolate a financial institution which refused to disclose such information by threatening to withdraw its authorisation from any UK investment business dealing with it.

Montedison sets deadline for deal on control of Fermenta

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals group locked in a complex bid to take over Fermenta, the Swedish biotechnology concern, warned yesterday that it will abandon negotiations unless an agreement can be reached by November 30 which will give it eventual control.

Mr Mario Schimberni, chairman of Montedison, told a extraordinary shareholders' meeting in Milan that if the Fermenta takeover deal does not go ahead, Montedison has "alternative" acquisitions on standby.

Mr Schimberni's statement is the toughest public pronouncement to emerge after two months of cat and mouse negotiations between Montedison and Mr Refaat El-Sayed, the Egyptian-born Fermenta chief executive and majority shareholder.

On Monday Mr El-Sayed announced that he had sold around half of his controlling equity stake in Fermenta to several Swedish institutions, while repeating that he was continuing negotiations for Montedison to take majority control on e gradual basis.

Mr Schimberni appeared nonplussed by the arrival of the Swedish consortium. "We believe the presence of the Swedish consortium is both useful and compatible with our own plans for Fermenta," he said.

This comment ties in with statements by two of the Swedish institutions that they would be willing to sell their shareholdings in Fermenta to Montedison at a later date. The entry of the Swedish consortium is seen by both Montedison and Fermenta as being a transitional arrangement, designed to taka pressure off Mr El-Sayed, who is facing calls for the repayment of SKr 1.4bn ($203m) of personal debts by this December.

The sale of shares to Swedish institutions is believed to be worth at least SKr 1bn.

Mr Schimberni said Montedison was prepared to pay a maximum of $340m for its ultimate goal of 6m Fermenta A-shares, which each carry one vote, and 11.35m B-shares, which carry only one tenth of a vote each. He said the $340m had already been deposited in an escrow account with a Stockholm bank.

Mr Schimberni said Montedison's goal was to secure 78.5 per cent of voting control in Fermenta and 44.16 per cent of the company's equity. This corresponds to Mr El-Sayed's own share stake, half of which is now in the hands of Swedish institutions. There are arrangements, however, to guarantee that Montedison will eventually be able to achieve majority control

A senior Montedison executive confided that the Italian company remained optimistic about prospects of gaining control of Fermenta, but he warned: "We will not go on negotiating *ad mortum*."

He continued: "We have already shown great petience and flexibility. We agreed to change our original position and acquire only n minority shareholding at first, building up our control gradually."

"We have also agreed that Mr El-Sayed should sell some of his shares to Swedish institutions in order to help him with his debt problem."

"In view of these concessions, we now have to set n firm deadline and that is November 30. At a certain point one must say 'enough'."

Kevin Done adds from Stockholm: Mr El-Sayed reacted strongly last night to the latest Montedison statement.

He said there was no longer any question of Montedison acquiring 78 per cent of Fermenta. "Wa have no agreement on that anymore since the trade unions said no. Now we are discussing new proposals.

"It is n question of only 51 per cent control, not all of my shares".

Mr El-Sayed said he had proposed that this stake should be acquired gradually over the next five years.

Montedison results, Page 22

CONTENTS

French current account in surplus

The French current account registered a FFr 9.8bn (£989m) surplus in the first six months of the year on an adjusted basis as compared with a first half deficit of FFr 4.8bn in 1985. David Housego reports from Paris.

The turnabout makes credible government forecasts of a FFr 30-40bn surplus this year. France achieved only a small FFr 3.1bn surplus in 1985 on current account after being deficit since 1980.

The sharp improvement reflects largely the fall in oil prices. By contrast, France's trade in industrial goods has been showing a shrinking surplus.

FINANCIAL NEWS COVERAGE INCREASED

Competition sharpens French press

BY DAVID HOUSEGO IN PARIS

FRENCH newspaper readers returning from their summer holidays are finding substantial changes in layout and content of the leading national dailies which reflect the upheaval taking place within the press and broadcasting media in France.

Liberation, one of the most successful Paris newspapers of recent years, appeared yesterday both larger in size and with a crisper presentation and treatment of news. Next Monday it is to launch a Lyon edition at bridging the gap between the Paris-based national press and the provinces, and which it hopes to follow up with regional editions in France's other leading cities.

Le Figaro, the flagship of Mr Robert Hersant's conservative press and which has also been boosting circulation, beat it to the post by launching a Lyon edition yesterday. Readers in Lyon found tumbling from their morning Figaro a 40-page supplement of Lyon news, and inside that an eight-page inset of financial news printed on pink paper.

In practice, the Lyon supplement—though not the "pink" pages"—is extracted from the Journal Rhone-Alpes, another regional publication of the Hersant group whose recent acquisitions have given it a virtual monopoly of Lyon printed papers.

Le Matin, France's only Socialist daily whose circulation has been sliding, has given itself a facelift that makes it look more like Le Figaro. Less ideological, more consciously informative, it has also enlarged its economic coverage reflecting a growing French interest in the Bourse.

L'Express, the leading weekly news magazine owned by Sir James Goldsmith, the trans-atlantic financier, has transformed itself into a more combative journal of the free-market right in a move that precipitated several resignations among the senior staff. "In France there is a broad span of views among newspapers." Sir James was quoted as saying recently "for there to be no need for such a span within L'Express."

Le Monde, which has been increasing sales after its editorial crisis two years ago, is also promising a new business supplement this autumn.

All these changes reflect a battle for readership that overlaps with competition for influence in local radio broadcasting and above all for control of the state-owned television network that are to be privatised. Both Mr Hersant and Sir James are candidates for a stake in TF 1 the first channel to be privatised, and both Le Monde and Liberation have been involved in local broadcasting.

The changes also have in common an emphasis on economic and financial journalism that has mushroomed in France over the last two years. Le Figaro already brings out a weekly "pink" economic supplement and L'Express is planning new economic supplements in the near future.

In the case of both L'Express and Le Figaro, the changes are bound up with political crusading in advance of the next presidential elections. But significantly Le Monde and Liberation no longer believe that readers want to be presented with issues in ideological terms. In an editorial yesterday, Mr Serge July, the editor of Liberation said that "as we move towards a greater consensus (in French society), the difference (between newspapers) will depend more and more on the quality of their factual information . . ."

Voest-Alpine to cut workforce by about 10,000

BY PATRICK BLUM IN LINZ

Mr Herbert Lewinsky . . . company has "no alternative"

VOEST-ALPINE, Austria's troubled state-owned steel and engineering group, is to cut its workforce by about 10,000 in the next four years, as part of a major restructuring programme designed to bring the company back into profit.

The cut, among the most sweeping ever to be announced by an Austrian employer, will be achieved through natural wastage — about one-third — and through a combination of measures including direct lay-offs, early retirement and early redundancies.

Mr Herbert Lewinsky, Voest's managing board chairman and chief executive, said at Voest's headquarters in Linz yesterday that there was "no alternative" for the company.

The cuts will affect over one-quarter of the 38,000 work-force of Voest-Alpine AG, the group's parent company.

The cuts are part of a drastic restructuring programme, which, it is hoped, will bring the company to break-even point in 1989, and profit in 1990.

A tough restructuring programme has been expected following the group's record losses in 1985 of Sch 11.75bn (£552m).

The initial reaction from the trade unions and Voest's powerful works council has been unusually muted so far, reflecting in part shock and the change in political climate, with growing public impatience over government subsidies for the loss-making nationalised industries.

Mr Josef Krainer, conservative Governor of the province of Styria, where some of the more drastic cuts have to be made, said yesterday that he was "shocked and dismayed." He was seeking further information from the government.

Mr Michael Graff, general secretary of the conservative People's Party, said it was a "national tragedy" and the expression of the "complete collapse of socialist policies for the state industries."

He did not exclude, however, People's Party support for another package of government subsidies.

Between 1981 and 1985, companies grouped within OIAG, the holding company for the nationalised industries, received Sch 30.3bn (£1.4bn) in government subsidies, with Voest alone taking Sch 15.3bn of the total.

In that period, Voest made cumulative losses of Sch 20.7bn. Projections until 1988 and including 1986 made by the company forecast cumulative losses of Sch 10.7bn.

The company wants Sch 21.5bn from the government for the period until 1990 to cover the expected losses and pay for restructuring and modernisation.

The company's plans have to be approved by OIAG later this month. Financing is expected to be approved by the Austrian parliament in October.

Poland frees political prisoners

THE Polish Government said yesterday that more than 100 political prisoners had been freed so far under an amnesty that took effect in July, AP reports from Warsaw.

Mr Jerzy Urban, Government spokesman, said at a press conference the amnesty could be extended beyond September 15 when local courts and prosecutors were to conclude reviewing cases of prisoners eligible for release.

Mr Urban said the amnesty law left open the possibility for the Supreme Court to order the release of some political prisoners after September 15 in special circumstances. As of last Sunday, 103 political prisoners had been freed from jails, Mr Urban said.

The Government has said there were 189 political prisoners before the amnesty took effect on July 23. Opposition sources have put the pre-amnesty figure for political prisoners at 350, claiming that the Government categorised some political detainees as common criminals.

Mr Urban said 174 people engaged in illegal political activities had surrendered to police so far to take advantage of the amnesty.

Under the amnesty, Solidarity underground activists who report to police by December 31 and pledge to abandon their illegal activities will have all charges against them dropped.

Mr Urban noted that "calm prevailed in the country" on Sunday, the sixth anniversary of the signing of the Gdansk agreements between striking workers and the Government that led to the birth of the now-outlawed Solidarity free trade union.

He said two people were arrested in Wroclaw for assaulting policemen and nine people were detained in Krakow, where police dispersed a street demonstration

Mr Lech Walesa, Solidarity's chairman, and other opposition leaders seemed eager to avoid street clashes on Sunday because of expectations that Communist authorities were preparing to release more political prisoners in the coming week under the amnesty.

Kohl under fire over N-power

WEST GERMANY'S opposition Social Democrats said yesterday they would take the offensive against the Bonn Government over nuclear power and South Africa in an attempt to strengthen their support before national elections in January, Reuter reports from Bonn.

But the latest authoritative opinion poll showed growing doubts thet the opposition had any chance of ousting Chancellor Helmut Kohl from power, with almost two-thirds predicting he would be returned to office.

Mr Hans-Jochen Vogel, the Social Democrat (SPD) parliamentary leader, told a news conference the party would use the forthcoming parliamentary period to propose laws on scrapping nuclear power and introducing sanctions against South Africa.

He said the aim would be to show that the SPD had more constructive policies on energy and to demonstrate that Dr Kohl's reluctance to take measures against Pretoria made him "the last ally in the world" of the white minority Government there.

Mr Vogel said he was confident that the SPD could put the Government on the defensive on both issues and predicted its tactics would pave the way for an SPD majority in the January 25 election.

But a monthly public opinion survey by West Germany's Second Television (ZDF) station showed 62 per cent of those questioned believed Dr Kohl would be returned to power, compared with 58 per cent in August and only 49 per cent in May.

Asked their voting intentions, 45 per cent said they would back Dr Kohl's Christian Democrats and six per cent his coalition allies, the liberal Free Democrats.

Forty-one per cent said they would vote for the SPD and seven for the radical Greens party.

The figures were identical with those registered at the end of July and the pollsters said the survey had been taken before a key SPD election congress in Nuremberg last week which may have influenced party support.

Swiss wrestle for a cow called Prune

MR ERNEST SCHLAEPFER strode into the soggy sawdust ring, put his arms gently round his hefty opponent and grabbed the back of his shorts, Reuter reports from Sion, Switzerland.

Six minutes later it was all over. Mr Schlaepfer, 31, was on his back, humiliated, his six year reign as Switzerland's Schwingerkoenig over.

The victor, Mr Heinrich Knuesel, 25, was hoisted on the shoulders of his rapturous supporters before going off to collect his prize—a five-year-old cow called Prune, donated by a local company.

Schwingen, a cousin of Japanese Sumo wrestling, has just celebrated its greatest event — the three yearly Swiss Federal Wrestling and Alpine Herdsmen's Festival.

For two days thousands of people from all over the country descended on the western town of Sion for a feast of wrestling, competitive boulder throwing and Hornussen—a cross between golf and baseball.

With total takings at the festival reaching SFr 2m (£815,000) it is a major event, pushing more mundane sports like soccer and motorcycle racing off Swiss sports pages.

Competitions, which go on at various levels each summer, are organised in bouts of anything from six to 15 minutes. Each pair wrestles until one succeeds in touching his opponent's shoulders down on the ground. If neither succeeds, then the winner is decided on points.

The wrestlers, clad in special leather shorts worn over their clothes are divided into two categories — "athletes" and "herdsmen." They follow a mass of rules and traditions evolved over the centuries. Competitors show an exaggerated politeness, dusting the sawdust from each other's backs after each bout. Advertising, cash prizes, drug-taking and long hair are out.

EEC project launched in Crete

By Andriana Ierodiaconou in Athens

THE first EEC Integrated Mediterranean Programme (IMP) was officially launched on the island of Crete yesterday in a formal signing ceremony attended by Greek and European Community officials. The signatures cleared the way for the allocation of Drs 61bn (£30m), of which about half is to be paid by Brussels and the rest of Athens, to finance a series of infrastructure and development projects

An Ecu 6.6bn (£4.62bn) IMP spending package for the Mediterranean regions of the EEC, benefitting Greece, France and Italy, was approved by Community leaders in April 1985, thus leading to the lifting of a Greek veto on the accession of Spain and Portugal. Greece, which stands to receive about Ecu 2bn in IMP grant aid over the next six years insisted on approval of the Mediterranean aid package as compensation for the competition resulting from EEC enlargement.

Crete was selected by the Athens Government as the first Greek region to benefit from IMP financing as a relatively undeveloped area with a per capita income 35 per cent below the EEC average.

Poles enjoy record grain harvest

By Christopher Bobinski in Warsaw

POLAND HAS had a record grain harvest this year, easing the strain on the country's balance of payments and raising hopes of an improvement in meat supplies.

Mr Stanislaw Zieba, the Agriculture Minister, has told Trybuna Ludu, the party newspaper, that this year's harvest had reached three tonnes per hectare, which amounts to an overall 24.5m tonnes.

As a result, Mr Zieba said, Poland would be importing 800,000 tonnes less feed grains this year than planned but hinted at his opposition to government cuts in hard currency allocations for purchases of fertilisers, high protein feeds and machinery for the food-processing industry.

This year's harvest compares with an average grain crop of 22.2m tonnes between 1981 and 1985

Czech clamp down

CZECHOSLOVAK police yesterday searched the homes of officials of the banned cultural group known as the Jazz Section and at least one is believed to have been detained, emigre sources in Vienna said, Reuter reports from Vienna.

Walters makes discreet calls on European allies

BY QUENTIN PEEL IN BRUSSELS

GEN VERNON WALTERS, US ambassador to the United Nations and former international emissary and trouble-shooter, maintained his reputation for cloak-and-dagger diplomacy yesterday with discreet calls on the Belgian government and Nato headquarters.

No details of his talks emerged, except the confirmation that US concern about Libya and international terrorism was the sole subject on the agenda.

A Belgian Foreign Ministry spokesman said Gen Walters had made no specific requests for further European actions against Libya, in addition to the reduction of diplomatic personnel agreed earlier this year.

At Nato he had a 45-minute talk with Mr Marcello Guidi, the acting secretary-general, but no special Nato council meeting was requested and member states of the alliance will be informed simply in the normal course of events.

AP adds from Paris: Gen Walters later met President Francois Mitterrand for 45 minutes. He told reporters at the Elysee Palace he had come "to consult with allies of the US on questions dealing with terrorism and on other questions."

Irish Cabinet ponders ways to survive

THE IRISH Republic's coalition government starts a two-day cabinet session in Dublin today, at which a strategy for survival will be sought. Agencies report from Dublin.

Ministers, generally dismissive of speculation about an early general election, have to come up with a formula to fend off threats from both inside and outside the two-party government.

Talks about the difficulties facing Dr Garret Fitzgerald the Prime Minister, and his three-and-a-half-year-old administration went on last week during an emergency Cabinet meeting to authorise aid for Ireland's weatherravaged agriculture industry.

At another meeting in Dublin, Mr Charles Haughey, the opposition leader, and his Fianna Fail party front bench colleagues will be devising an election battle plan.

Mr Haughey is likely to table a motion of no confidence in the Fitzgerald Government as soon as the Dail, the Dublin parliament, ends its summer break on October 22.

He will also demand the fixing of a date for a by-election that Fianna Fail is sure to win and leave the Government technically in a minority in parliament.

North Cyprus Government

MR DERVIS EROGLU, the former Premier of the breakaway Turkish Republic of Northern Cyprus, yesterday formed a government to replace a two-party coalition which collapsed; AP writes

The new cabinet is composed of Mr Eroglu's National Union Party, which holds 25 seats in the 50-member legislature, and the centre-right New Birth Party.

The previous Government, formed in July 1985, was a coalition of Mr Eroglu's centre-right party and the moderate leftish Socialist Liberation Party.

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W. German interest rate cut opposed

By Peter Bruce in Bonn

A CUT in West German interest rates such as the one being demanded by the US Administration is unlikely to lead to any noticeable increase in economic growth here, Dr Hans Fahning, chairman of the German Association of Public Banks, said in Bonn yesterday.

Dr Fahning, who is also chief executive of the Hamburg Landesbank, warned that "the effects of a further interest rate fall on economic activity should not be over estimated."

Washington has been pressing Bonn for virtually the entire summer to cut interest rates in order to boost its domestic economy which, it is hoped, would then suck in more imports, including American goods.

But Dr Fahning, who also warned that the Government's hopes of achieving 3 per cent growth this year are probably too optimistic — he predicted 2.5 per cent — said that as far as German industry was concerned interest rates were no longer as important a cost factor as they were four years ago. As such, interest rate considerations were unlikely to have an important effect on investment decisions.

The Bundesbank is under particular pressure to cut its discount rate, which currently stands at 3.5 per cent. Dr Fahning said interest rates on the capital market were now moving between this and the Bundesbank's Lombard rate of 5.5 per cent.

Although he conceded that the growth in the US economy had made a "decisive" contribution to West Germany's export-led recovery between 1983 and last year he insisted that the size of the US economy made it impossible for Germany to return the favour.

Cities vie to host Europe's trade mark headquarters

David Rudnick on keen competition to house a Community institution

APART FROM the regular international competition to host the Olympic Games, it is hard to imagine a more determined campaign than the one being fought by European cities competing for the prize of housing an important new European Community institution.

Every member country except Denmark is vying for the honour—and profit—of accommodating the proposed European Community Trade Mark Office (Ectmo), but the field is led by London, Munich, the Hague and Strasbourg.

Ectmo will save companies throughout the Community the trouble and expense of working with 12 different national systems for registering trade marks, and enable the registration of a single mark to cover all member states.

The EEC Commission has stipulated that the winning city must be able to provide a complex covering 6,681 square metres providing offices, a library, a restaurant and conference rooms, and be near to good educational, housing, transport and communications facilities.

All four leading contenders offer these facilities and each can claim considerable experience in trade mark registration. But London may have a slight edge.

Its claims are boldly advanced in a glossy, tri-lingual promotional booklet published by the UK Department of Trade and Industry. "London is all but tailor-made to supply the sort of service which people using the Community Trade Marks systems will be entitled to expect," it says.

Agents, it says, are not difficult to find; there are over 1,000 qualified trade mark practitioners and more than 50 barristers specialising in trade mark law, as well as a court to deal specifically with claims arising from intellectual property rights.

Finally, the London trade mark sector uses the most modern computer aids, with innovations like interactive systems for training trade mark examiners.

Claims like these are also made for the other three main candidate cities, but London has a political card to play: the UK has yet to provide a home for any permanent European Community institution. The Joint European Torus scheme (to produce electricity commercially from nuclear fusion) is based at Culham in Oxfordshire, but only temporarily.

Munich, Strasbourg and The Hague are situated in countries which already host one or more permanent Community institution.

West Germany has the European Centre for the Development of Vocational Training (CEDEFOP) in Berlin, as well as the European Patent Office in Munich. The Bavarian capital nevertheless poses a formidable challenge, since it also houses the West German national patent office and court, and with them an impressive array of legal and technical documentation facilities.

The city fathers are offering to provide an area free of charge to accommodate ECTMO, in a location conveniently near to the European Patent Office. And as a further sweetener, the West German government is prepared to provide DM 70m (£20.6m) as a long-term loan towards the construction and equipment of the trade mark headquarters.

The Germans also point to the strong research back-up available at the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law.

Rather like Munich, though in much less concentrated form, The Hague houses complementary institutions in the Benelux Trade Mark Office and a subsidiary branch of the European Patent Office.

However, in the allocation of permanently-based Community institutions the Netherlands cannot, like Britain, claim to have been left out: the nuclear research establishment at Petten, near Alkmaar, is one of the Community's four Euratom complexes.

Strasbourg, with the European Parliament (not to mention the Council of Europe) already in situ, has on these criteria the least claim to house another European institution. Nor can it claim, by comparison with its rivals, particularly outstanding legal or technical expertise in trade mark or patent registration. And though geographically the most centrally located of the four main candidates, Strasbourg's air links and communications are relatively poor.

The British Government is lobbying hard to have Ectmo sited in London. Besides the obvious financial spin-off—conservative estimates suggest it would be worth £40m a year—it would confer a linguistic advantage on UK business, since English would then be the official language of the Community-wide registry. American, Japanese, and many other overseas traders would doubtless also find it much easier to communicate in English.

Unlike its rivals, London has yet to decide on a site for ECTMO.

Mr Geoffrey Pattie, Minister of State for Industry and Information Technology, has detailed four possible sites in the London area which would fit the bill. They are St Katharine-by-the-Tower, on the eastern fringe of the City; 2-4 Cockspur Street, adjacent to Trafalgar Square in the West end; Harrow, north-west of London, and Croydon to the south. The DTI says it has no favourites.

A decision on which site will be nominated for submission to the EEC Commission has to be made within a fortnight.

Wherever the Ectmo is sited, the need for it is indisputable. At present, companies can obtain protection for trade marks only by registering in individual EEC member states.

Wide differences in legal provisions make this process not only costly and inconvenient but have caused acrimonious inter-company disputes, sometimes leading to lengthy court cases.

These cases involving among others the packaging of pharmaceutical drugs and the brand labels on confectionery products, have helped to move Brussels to implement its long-mooted plan to establish a procedure for uniform protection. Even so, it will probably be well into 1987 before the Council of Ministers approves a location for Ectmo.

Officials stress that the Community's trade mark law is designed to take its position alongside national trade mark provisions, which will continue to exist in harmonised form.

US reporter 'caught red-handed' in Moscow

THE OFFICIAL Soviet spokesman said yesterday that Mr Nicholas Daniloff, the US reporter arrested for espionage on Saturday, was "caught red handed."

Mr Gennady Gerasimov, the Foreign Ministry spokesman, denied that Mr Daniloff had been framed and said that his detention was in no way connected with the arrest for espionage in New York of Mr Gennady Zakharov, a Soviet physicist working for the UN. Mr Daniloff's wife Ruth said she believed her husband had been arrested in retaliation for Mr Zakharov's imprisonment.

Mr Daniloff will now be held for 10 days while an officer of the Soviet KGB security police investigates the case. The decision to charge or release Mr Daniloff will then be taken by the Soviet courts according to Mr Gerasimov.

The Soviet authorities do not appear to have decided how to handle the Daniloff case. Although the Foreign Ministry said yesterday that the investigation was still being carried out, the KGB issued a statement immediately after Mr Daniloff's arrest saying that he had been caught with incriminating documents which showed that he was spying.

Mr Daniloff says that a friend from the Central Asian Republic of Kirgizia had given him an envelope purportedly containing newspaper clippings, items useful to Moscow correspondents because of difficulty in obtaining the provincial press. Shortly after he had taken the envelope he was arrested and the envelope turned out to contain two maps marked top secret and photographs of military facilities.

Spanish opposition leader fires his 'dauphin'

BY DAVID WHITE IN MADRID

FEUDING IN Spain's main right-wing opposition party, Popular Alliance, came to a head yesterday when its leader Mr Manuel Fraga, just back from holiday, sacked the man who was once considered his dauphin and who had been secretary-general of the party since 1979.

Mr Jorge Vorstrynge, who had recently been regarded as a leader of the "critical sector," was replaced by a 27-year-old lawyer, Mr Alberto Ruiz-Gallardon, son of a prominent old-guard figure in the party. The new secretary-general belongs to a group of "young wolves" which has closed ranks behind Mr Fraga.

The blood-letting within Popular Alliance follows a split between Mr Fraga and his main partners in the three-party centre-right coalition which he led into the general election in June. The Christian-Democrat PDP, with 21 of the 105 seats which the coalition won in the 350-member congress, pulled out in July. As for the third partner, the so-called Liberal Party, members in Catalonia have already indicated they may break from the alliance in local elections next year.

Mr Vorstrynge appears to have put his head on the block by leading a campaign for Mr Fraga to run for mayor of socialist-held Madrid. The purported idea behind this was to mount a "Chirac operation," imitating the power-base which the present French Prime Minister established for himself in Paris. But this was without consulting Mr Fraga, who has expressed strong reservations.

Two other conservative figures are known to have ambitions for the Madrid job—Mr Jose Antonio Segurado, the Liberal leader, and Mr Miguel Herrero de Minon, a vice-president of Popular Alliance and unconditional supporter of Mr Fraga.

The squabbling in Mr Fraga's camp coincides with rifts in two regional centre-right groups in the wake of election disappointments.

The power of the Basque Nationalist Party (PNV) in the Basque country risks being undermined if splinter forces go ahead with the formation of a radical breakaway party. The PNV, which has a history of internal crises, currently runs the regional government with only 32 of the 75 seats in the Basque parliament, relying on co-operation from the Socialists. In June, it lost two of its eight seats in congress in Madrid.

In Galicia, a split has already taken place between conservative and progressive forces in the Galician coalition, which in June took one seat in Madrid. In the regional assembly, six of its members have gone one way and five the other.

Mr Fraga: strong reservations about running for Madrid mayor's office

Chirac Government to nominate chiefs of second-tier banks

BY PAUL BETTS IN PARIS

THE FRENCH conservative government will go ahead at a cabinet meeting today with a second round of appointments to state banking institutions which are to be privatised under the right's ambitious denationalisation programme.

A first batch of appointments to the country's 24 main state banks, insurance companies and industrial groups was made by Mr Jacques Chirac's Government at the end of July. The latest round will involve 29 smaller banks which are subsidiaries of larger nationalised banking groups to be privatised.

After the appointment of the chairmen to the largest state groups at the end of July, Mr Edouard Balladur, the economy and finance minister, had asked the chairman of the big banks to propose candidates for their subsidiaries before the end of the summer.

Although this second batch of appointments to state groups is politically less significant than the first round, it none the less contains important parallels with the first batch.

The government has again attempted to show that it was adopting a pragmatic approach to the nominations and was not indulging in an all-out purge of state chairmen as the former Socialist government had done four years ago.

Of the 29 chairmen to the smaller state banks, about half are expected to be replaced today with the other half being reconfirmed in their jobs. This was also the case during the first round of nominations to the leading state groups when 12 new chairmen were appointed and 12 others kept on.

Moreover, the Government has attempted again to replace wherever possible chairmen by internal promotion and to select candidates whose technical competence is not in question.

But the government has also been forced to perform a delicate balancing act to satisfy the various factions which constitute the French right-wing governing majority. Chairmen too closely identified with the former left-wing administration are expected to be replaced today while other socialist appointees who have proved particularly successful are being kept on. The government has also had to make room for right-wing candidates expecting to be given a senior state job.

Among the main appointments to be announced today will include heads to subsidiaries of Credit Commercial de France (CCF), the Suez group, CIC, and the Paribas group. In the Suez group, Mr Renault de la Geniere, the former governor of the Banque de France appointed by the conservative government to head Suez last July, will also take over the chairmanship of Banque Indosuez. At the Banque Parisienne de Credit, also of the Suez group, Mr Daniel Houri is expected to be replaced by Mr Guy Chartier.

At CIC, the new chairman of the group, Mr Jean Dromer, head of the French banking association, is also expected to take over the chairmanship of the Banque de l'Union Europeenne. Among CCF subsidiaries, Mrs Isabelle Bouillot, a former close aid of Mr Jacques Delors, the Socialist Finance Minister now president of the European Commission, is expected to be replaced at the top of Union de Banque a Paris by Mr Marcel Pujol. Mr Pujol, chairman of L'Europeenne de Banque, the former Rothschild bank renamed after nationalisation by the Socialists, will in turn be replaced by Mr Roger Prain at L'Europeenne.

The second batch of nominations to be announced today will further help clear the ground for the launch of the Government's privatisation programme. Mr Balladur has already said that the Government would select by the middle of this month the first two or three groups to kick off the programme. Frontrunners to start the denationalisation process are Paribas, Suez and CCF among banking groups, Gan among insurance companies and the glass and pipes Saint Gobain group among state industrial companies.

AMERICAN NEWS

US maintains two carrier groups in Mediterranean

THE US aircraft carrier John F. Kennedy has joined the Sixth Fleet in the Mediterranean as the US continues to maintain two powerful carrier battle groups in the region, the Pentagon said yesterday, Reuter reports from Washington.

Senior US officials said last week they had evidence that Col Muammer Gadaffi, Libya's leader, was planning new terrorist violence against US targets in Europe. But the White House denied reports it was attempting to provoke Col Gadaffi.

The Kennedy, now in port at Benidorm, Spain, sailed into the Mediterranean over the weekend to replace the US carrier America, which ended a six-month tour of duty and headed home from Cadiz, Spain, to Norfolk, Virginia, defence officials said yesterday.

They said the second American carrier, now in the region, the Forrestal, wound up routine manoeuvres in the central Mediterranean north of Libya over the weekend and was now making a port visit to Naples, Italy.

The deployment home of the 11-ship America battle group – including two crusiers – and the addition of the Kennedy battle group left the US with nearly 30 warships in the Mediterranean, Pentagon officials said.

"You know we don't discuss future ship movements," said one official yesterday when asked if the Kennedy or the Forrestal might resume patrols north of Libya to keep pressure on the Tripoli regime.

But the official said it was clear that the US was keeping at least two carriers in the Mediterranean for the foreseeable future.

In a speech in Tripoli on Sunday night, Col Gadaffi warned the US against a repeat of its April 15 bombing raid against his country.

In the speech marking the 17th anniversary of his 1969 revolution, Col Gadaffi said Libya had full Soviet backing and was ready to fight the US in and outside Libya in the event of a new US attack.

He heaped praises on Mikhail Gorbachev, the Soviet leader, and called President Ronald Reagan "Israel's crazy dog."

On Friday in Washington, Gen Bernard Rogers, the US Nato Commander, suggested the US could use long range B-52 bombers to attack Libya if Col Gadaffi carried out terrorist acts against Americans.

"We've got the B-52s in the US. He (Gadaffi) has to know that he is subject to that kind of treatment," Gen Rogers told reporters,

Gen Rogers, who helped plan the April US raid against Libya, said he was not speaking for President Reagan but suggested Washington should continue to put military, economic and diplomatic pressure on Col Gadaffi.

Bolivian shot dead in state of siege clashes

A policeman was shot dead and at least three other people were injured yesterday in demonstrations in the city of Cochabamba against Bolivia's five-day old state of siege, Reuter reports from La Paz.

Mr Fernando Barthelemy, Interior Minister said police arrested 50 people in clashes near San Simon Stato University in Cochabamba, 380 km southeast of La Paz, and discovered a large cachc of explosives inside the university.

"This is the clearest proof that the subversive plan to overthrow the government existed and still exists," ho said.

President Victor Paz Estenssoro imposed the state of siege last Thursday after accusing leftist labour and political leaders of plotting to "liquidate" his elected government.

The local Catholic Church is to begin mediating today between the government and the leaders of the miners union

Monsignor Luis Saenz, Bolivia's episcopal conference vice-president said all four members of the Minc Workers Federation (FTM's) executive council had agreed to attend the mediation talks

Brazil budget to mix austerity and attack on poverty

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL yesterday announced a draft budget for 1987 which aims to combine public sector austerity and o sharply increased programme te deal with poverty, according to the country's Planning Ministor.

Mr Joao Sayad said tha Governmont was aiming for zero inflation, a 51 per cent increase in social programme budgets and general belt tightening for the public sector.

Brazil has budgeted for a 1987 public sector deficit of Cruzado 95.4bn (£4.7bn), an estimated 2.5 per cent of a forecast gross domestic product (GDP) of Cr 3.8 trillion.

The figure, which parallels this year'a projected public sector borrowing reqnirement (PSBR) is likely te be considered too bigh by tho International Monetary Fund, according to foreign analysts.

An IMF target figure for restraining Brazil'a deficit thia year to 0.5 per cent of GDP has already been passed in the first six months with official estimates putting tho first half's expenditure over receipts at 1.5 per cent.

A team of IMF economists is currently in Brazil te carry out its annual analysis of the economy under the Fund'a routine "Article Four" provisions. However, the Brazilian Government has repeatedly insisted that it will not accept the imposition of an IMF economic programme as a precondition for a multi-year rescheduling ef its $105bn foreign debt.

Negotiations with the commercial banks on a multi-year reschoduling of principal aro expected to begin late in the year.

But there remain problems with the 1985-86 rescheduling agreemont, agreed with tho main creditor banks last July. With only three days left before the deadline fer acceptance signatures fall due, the agreement has still not been ratified by tho necessary 95 per cent of creditor banks.

The 1987 budget forecast, charactorised as relatively austere by local commentators, estimates Government receipts of Cr 556bn and assumes inflation at zero and growth at some 7 per cent in tho coming year.

Mr Joao Sayad, who presonted the plan, insisted that the zero inflation project "is realistic," adding that a contingency reservo of Cr 8bn had been includod in the budget scheme. Official inflation figures for tho period aince March when the radical economic adjustment programme, the Cruzado Plan, was introdneed remain undor 5 per cent.

The Government has calculated 1987 dobt servicing costs, both foroign ond domestic, at Cr 79bn, down from an expected Cr 100bn this year. While the domestic component of this will bo almost balf, the foreign payments are projected to rise from Cr 27bn to over Cr 45bn.

Pentagon helps push US factory orders up 2.2%

BY NANCY DUNNE IN WASHINGTON

THE US economy, hit by massive trade and budget deficits, continnes to display signs of hoalth as a result of lower interest rates and the continued Pentagon spending spree.

New orders received by US factories jumped 2.2 per cent in July, the Commerce Department said yesterday and the National Association of Purchasing Managers reportod a significant increase in new orders for August with its composite index rebounding to 52.6 per cent, up from 46.7 per cent in July.

Tho July orders increase was the largest since December, 1985, but it owed its strength largely to military spending. Excluding defence items, factery orders rose only 0.5 per cent in July, tho Commorce Department said.

In a separate report, tho Commerce Department yesterday estimated new construction put in place during July was at a seasonally adjusted annual rato of $376.7bn (£252bn) compared with tho revised June estimate of $374.8bn. The July estimate was 6 per cent above the July 1985 figuro.

Mr Robert Bretz, chairman of tho National Association of Purchasing Managors, said "tho disturbing downtrend in three of the last four months reversed directien in August," but he alse acknowledged that "there has never been a perlod where the economy seemed so erratic." Tho association surveys purchasing managors in 50 plants in 21 industries in 50 states. An index reading of mere than 50 per cent is generally considered te indicate an expanding economy.

Nearly twice as many member companies, 28 per cent, reported increased orders, while 15 per cent reperted a decline in orders. Mere companies reported lower prices than those reporting highor prices, and employment trends continued unchanged.

Pinochet bans two opposition magazines

By Mary Helen Spooner in Santiago

CHILEAN authorities have banned two opposition news magazines after they questioned official reports of the discovery of large weapon dumps destined for left-wing guerrillas in northern Chile.

General Augusto Pinochet's regimo claimed the weapons were smuggled into tho country from Soviet and Cuban officials, and were intended for a left-wing insurrection planned this month.

A Chilean military court is prosecuting three journalists working for Cauce magazino, a colourful anti-government weekly, on charges of "offence and injury to the armed forces." Authorities bove confiscated the last two editions of the magazino, although copies are being surreptitiously distributed in Santiago.

Venezuela oil output cut by 150,000 b/d

Venezuola yesterday cut oil prodnction to 1.555m barrels a day b/d in lino with the Organisation of Potroleum Exporting Countries' (Opec) latest accord, Reuter reports from Caracas.

The decision brings Venezuelan production down by 150,000 barrels from its July levels, which reached about 1.7m b/d.

Mr Arturo Hernandez Grisanti, Minister of Energy and Mines said the decision to temporarily cut Opec's production ceiling back to 1984 levels has caused world crudo prices to recover to around $15 a barrel, after having plunged to $8 to $10 a barrel during July.

● Ecuador put into effect an announced cutbock in oil production yestorday, but officials refused to say how much production would be cut. It is understood to be between 45,000 and 100,000 b/d.

Poll shows Canadians want Mulroney replaced

BY BERNARD SIMON IN TORONTO

A CLEAR majority of Canadian voters favours the replacemont of Mr Brian Mulroney as Prime Minister, according to a poll published yesterday amid a flurry of activity by Mr Mulroney's Progressive Conservative Government to bolster its sagging popularity.

The poll, conducted by Decima Research of Toronto, shows that 59 per cent of respondents want Mr Mulroney replaced. Fifty six per cent favour a now federal government to take the place of the Tory Administration which came to office in a landslide election win two years ago this week.

According to the poll, the opposition Liberal Party would gain 35 per cent of the popular vote if an election were called now, compared with 31 per cent for the Tories.

Mr Mulroney is under no obligation to call an election until 1989, but tho Tories' slipping popularity has prompted a spurt of political activity in Ottawa during the normally quiet summer helidays.

As part of its efforts to make o fresh start, the Government announced last week that the epening of Parliameot, scheduled for September 8, has been postponed to October 1. A Throne Speech and a mini-budget are expected to outline new priorities for the remainder of the Government's mandate.

Mr Mulroney shuffled his cabinet extensively last June. Since then, he bas moved several senior civil servants to new joba and brought some of tho Tories' most astute political strategists to Ottawa as advisers. The latter inclnde Mr Nerman Atkins, a leader of the Ontario Censervativos' famed "big blne machine," whe has been appointed a Senator, and Mr Dalton Camp, a former party president and journalist.

Mr Mulroney's own stylo and lack of creditbility are viewed as among the Government's major liabilities.

WORLD TRADE NEWS

US-Taipei trade talks break up without accord

BY ROBERT KING IN TAIPEI

TRADE TALKS between the US and Taiwan have broken up after eight days, without agreement on key issues. US negotiators left Taipei yesterday after failing to reach an agreement on imports of American tobacco, wine and beer to Taiwan, the major issues in the talks.

The failure of the negotiations raises the possibility of American retaliation against imports from Taiwan.

Although progress was made in such areas as the reduction of some import tariffs, export performance requirements for cars and the opening of Taiwan's market to insurance companies, the two sides remain far apart on two key points of the tobacco, wine and beer imports—advertising and pricing.

Taiwan agreed last October to lift a long-standing ban on these imports but in subsequent talks insisted on mark-ups of as much as 185 per cent, which officials feel would make their products uncompetitive in Taiwan, and restrictions on advertising which the US feels would hamper the introduction of goods to the market.

The talks, originally scheduled to end last Friday, were extended over the weekend and into Monday evening with officials sometimes remaining at the bargaining table until midnight in an effort to resolve their differences.

It is unclear that retaliatory measures, if any, Washington will take against Taiwan for its unwillingness to make what the US team felt were adequate concessions during the talks.

A statement issued on Tuesday by the American Institution in Taiwan, the unofficial American presence there, said only that the results of the talks would be considered in Washington.

The US could also retaliate against Taiwanese imports under Section 301 of the US Trade Act if it feels that Taiwan's position amounts to unfair trade practices.

Section 301 grants the US President the power to take punitive measures against trading partners if he decides they are engaging in such practices.

● Taiwan plans to remove import licence requirements on more than 3,000 foreign products further to streamline the importation of such goods as textiles, electrical machinery, household appliances and pulp and paper.

The Government also proposes to lower maximum tariff levels and reduce tariff rates on more than 1,000 products. This proposal is suject to review and approval by the Cabinet.

The moves are designed to dent an annual trade surplus which reached $6.3bn during the first seven months of this year, against $5.8bn during the same period in 1985.

Congress 'ready to act on trade with Japan'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT IN DETROIT

THE US Congress is in the mood to take action if Japan does not redress the huge imbalance of trade between the two countries, according to Mr Harold Poling, president of Ford.

Ford is urging the US Government to insist that Japan agrees to reduce the imbalance by a series of steps over a set period.

"Unless the results meet the objectives that have been set, action should be taken (by the US) in the form of a tariff or duty or some device that will ensure the situation is addressed," he added.

"Let the Japanese decide how they want to address the situation. They can open their markets to US products or they can restrict their shipments

According to the Japanese Ministry of International Trade and Industry, the US deficit on trade with Japan last year rose from $33bn to $39.5bn

Mr Poling said that, despite recent major increases in the value of the yen against the dollar, the US deficit on its total trade with Japan will increase

Israel seeks bigger share in radio station deal

By Andrew Whitley in Jerusalem

ISRAEL IS seeking a larger guaranteed share of work on a controversial $350m (£236m) Voice of America (VOA) relay station to be built in its southern Negev desert than the 50 per cent already offered by the US.

An Israeli Government delegation began talks in Washington this week with the aim of pushing that share up to 70-75 per cent. The talks will also deal with the details of a preliminary agreement on the station.

"Our estimate is that 70 per cent of the jobs can be done by Israeli companies," said Mr Yoram Alster, Director-General of the Communications Ministry.

Apart from the construction work, Israel is reported to be seeking undertakings that equipment installed will contain locally-made components.

The Communications Ministry has been under intense pressure from Israel industry and the Arava regional council, where the giant radio relay station will be built, to take a tougher line with the US, particularly over jobs.

An umbrella accord governing establishment of the facility was initially agreed during a recent visit to Israel by Mr George Bush, the US Vice-President.

But even this was only reached after the US Government had reluctantly promised that Israeli companies would receive half the work on the project. Under US law, US Government-financed projects of this sort have to be open to international tender.

During the talks, expected to last two weeks, the project budget estimates are expected to be concluded, and the contentious issue of how work on the project should be taxed will be discussed.

The relay station, part of a chain being established by the VOA around the world, will broadcast to the Soviet Union in a range of local languages.

Israel has been sensitive to the possibility that once it comes on air, in 1990, the station's powerful propaganda could damage Israeli-Soviet relations.

In consequence, one clause in the umbrella agreement already signed is reported to commit the US to oppose any criticism in international forums.

China in drive for Pakistan roads

BY JOHN ELLIOTT IN ISLAMABAD

TWO of Pakistan's closest foreign allies, the US and China, are offering to construct major road and tunnel projects costing up to $400m which have been delayed for several years because of a lack of finance and expertise.

The US has this week offered informally to provide 80 per cent of the estimated $70m cost of an eight kilometres road tunnel on the 10,000 ft high Lowari Pass near the sensitive border with Afghanistan in Pakistan's North West frontier province.

Chinese public sector construction organisations are expected to tender against major Western and Asian private sector companies, including British contractors, for World Bank funded projects worth about $300m to build dual carriageways on Pakistan's N5 national highway near Karachi and Lahore.

The US has indicated this week, during a visit to Islamabad by Mr Charles Greenleaf, a senior US aid official from Washington, that for strategic reasons it wants to play a major role in improving communication links in the North West Frontier and Baluchistan which border Afghanistan and Iran.

The US sees Pakistan as a vital buffer state following the Soviet occupation of Afghanistan seven years ago.

The funds for the tunnel would come from a second five-year economic and defence aid package, recently agreed between the two countries, and totalling just over $4bn.

The Lowari tunnel will connect the important border town of Chitral in the Hindu Kush mountains southwards to the rest of Pakistan. Chitral is at present cut off for at least six months of the year.

Previous efforts by Pakistan to build this tunnel have failed. Talks will now take place and if the work goes ahead, it would probably be built by US contractors.

China built Pakistan's 470-mile Karakoram highway in the 1970s. This links the capital of Islamabad with the 16,500ft-high Kunjerab Pass between the Pamir and Karakoram mountains on the border of the two countries. This border was opened to foreigners for the first time four months ago.

Chinese contractors have recently surprised international competitors by submitting extremely low tenders, which are assumed to be subsidised, for road building projects in Nepal and elsewhere in South Asia.

The Chinese are now expected to do the same in Pakistan where they have now obtained pre-qualification contract documents for the first three contracts, totalling an estimated $90m to $120m on the N5. Pakistan's National Highways Board intends to invite tenders at the end of this year, and other contracts would then follow in the next three years.

Three British contractors are considering tendering. They are Pauling, which has already worked on the road in the north; Laing, which recently set up an office in Islamabad in an attempt to win its first work in Pakistan; and Balfour Beatty. Other tenders are expected from France, Sweden, South Korea and Japan.

Pakistan originally planned in 1983 to build dual carriageways on the full 1,500 km length of the highway from Karachi in the south via Lahore to Peshawar near the Afghanistan border in the north. About 75 per cent of the then estimated cost of $800m would have been provided internationally by the private sector and repaid through tolls.

But the idea of tolls proved too unpopular politically for the government to go ahead.

The World Bank has now agreed to provide 53 per cent of the approximately $300m cost of dualling and repairing eight sections of the highway, totalling 556 km. The Pakistan Government says it will provide the remainder.

Sun-seekers warm Caribbean hearts

BY CANUTE JAMES IN KINGSTON

THE POOR performance of many of the Caribbean's traditional economic pillars—sugar, bananas, bauxite and oil—has forced several countries to treat more seriously an industry which was formerly expected only to provide additional income.

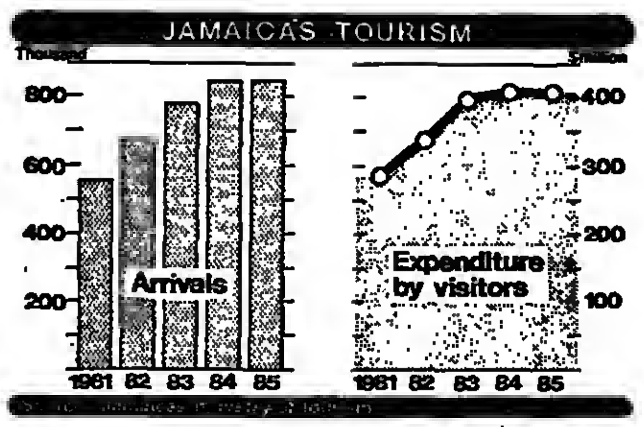
Now the sight of wide-bodied aircraft disgorging hundreds of sun-seekers, crowded beaches and high hotel occupancy rates warm the hearts of many hard pressed Caribbean Finance ministers.

Tourism last year earned $5bn, 8 per cent more than in 1985 as 7.9m tourists visited the region, a 3.4 per cent rise over the previous year.

The Caribbean Tourism Research and Development Centre, based in Barbados, says there are grounds for believing the growth will continue. "Tourist arrivals for 1986 could for the first time top 8m," the centre said in its report on the first half of this year.

The first six months of this year has shown growth of 2 per cent in arrivals following increased promotion and marketing in North America and Europe, and the threat of terrorism in European countries.

Mr Frank Boshuvel, president of the Trinidad and Tobago Hotel and Tourism Association,



estimated recently that about 2m Americans have cancelled their trips to Europe this year because of terrorism, providing the Caribbean with an opportunity. Americans account for almost two-thirds of the tourists to Caribbean resort countries each year.

The research and development centre reports that arrivals from the US in the first half of this year were 8 per cent higher than the same period of 1985. The region is already benefiting from a diversion of cruise ships from the Mediterranean and the Pacific to Caribbean resorts.

Cruise passenger arrivals for the first six months of 1986, in the three largest cruiseship destinations have risen substantially. The Bahamas is up by 34 per cent, the US Virgin Islands by 40 per cent and Puerto Rico by 17 per cent, the research centre said.

A fall in the value of the dollar against European currencies has also helped. Experts working on a plan to assist investment in Caribbean tourism, agree that the depreciation of the US dollar is making the Caribbean "a bargain, and that fact can be exploited."

The region needs faster growth rate, however, if it is to fully use its hotel capacity and make financially troubled resort properties viable. A volume of even 8m visitors per year, tourism administrators argue, represents just over one third of what the 29 resort countries in the region can take.

The region has 98,500 hotel rooms, but occupancy levels have been low in the major resorts, ranging last year between 48 per cent and 66 per cent in countries such as Barbados, Jamaica, Puerto Rico and the US Virgin Islands.

There is clearly no immediate hope of the region reaching a level of 20m tourists per year, which the industry's planners believe would represent optimum use of existing hotel capacity. Intensive marketing of the region over the past five years has failed to bring a significant breakthrough in markets such as Western Europe, or even to increase its share of the "natural" United States and Canadian markets.

The Cuban Government recently announced plans to spend $500m in developing tourism to make it the second most important hard currency earner after sugar in the four years. New hotels are to be built existing resorts expanded to double hotel bed capacity to 60,000.

Jakarta in offset deal for US fighters

By John Murray Brown

GENERAL Dynamics of the US, which last week won an order to supply Indonesia with 12 advanced F-16 fighters, is to subcontract work on a further 10 aircraft to the state-owned manufacturer IPTN, Dr Yusuf Habibie, Minister of Research and Technology, confirmed yesterday.

The order for the 22 aircraft is worth $377m (£254m) and "is the best for Indonesia," the Minister said. The decision had the approval of President Suharto.

The offset contract whereby IPTN undertakes 35 per cent of component assembly is seen as a major concession by the US manufacturer. Indonesie has been hit by the fall in oil and gas revenues which account for 70 per cent of its foreign exchange earnings.

The offset deal is, therefore, considered to be the main factor in winning the deal abead of France's Dassault Breguet with its Mirage 2000.

It also gives a filip to Indonesia's fledgling defence industry.

The US offer which bad the backing of Gen Benny Murdani, the Armed Forces chief, now makes Indonesia's strike force compatible with that of its key regional allies, Singapore and Thailand, which have already purchased the US jet.

In recent yeers, Indonesia, a country with 13,000 islands spread over an area as wide as the US, bas become a growing market for arms suppliers.

Competition to supply the new generation of fighter aircraft had been particularly fierce following the country's first International Airshow in the capital, Jakarta, in July.

Dutch group wins tunnel order

HOLLANDSCHE Beton Groep, the Dutch construction company, has won a Fl 300m (£89m) order from the US state of Virginia to build part of a seven km bridge-tunnel link across the James River, Reuter reports from Rijswijk.

The Dutch group's international subsidiary Interbeton will build the link with Morrison Knudsen, of the US.

The 1,400 metre tunnel will consist of two steel tubes, each containing two highway lanes, to be lowered on the riverbed.

Iran launches attack on Iraq at Harare summit

AS HOSTILITIES continued in the Gulf war, Iran delivered a stinging verbal attack on Iraq yesterday calling for the expulsion of its enemy from the Non-Aligned Movement, our Foreign Staff writes.

The call by President Ali Khamenei disrupted the second day of the summit in Herere mainly preoccupied with sanctions against South Africa.

Mr Robert Mugabe, Prime Minister of Zimbabwe, who will chair the conference as the leader of the movement for the next three years, sat with his head in his hands as Mr Khamenei arraigned Iraq.

"If the Non-Aligned Movement cannot administer any punishment or take up a fair and clear stand on such an unambiguous, documented case of the Iraqui regime's aggression and crimes, it would be hard to hope that it could be of any noteworthy effect as far as the aggressions and oppressive acts of the bigger powers or great international crisis are concerned," the Iranian president said.

The speech, which was being broadcasted live, was cut off in the middle hy the conference organisers.

In the conflict itself, Iran claimed yesterday to have taken another initiative. Tehran Radio said that Iranian naval forces had captured an Iraqi oil platform used as e rader reconnaissance station in the northern Gulf and attacked another.

It quoted a military communiqué saying that the assault force made up of naval units of the Revolutionary Guards had taken control if the Al Amiq platform 25 miles south of the Faw peninsula, and killed or captured its defenders.

The nearby Al Bakr platform had been attacked and "engulfed in flames," according to the communiqué.

Capture of the Al Amiq platform gave Iran "control of air and marine security in the northern sector of the Gulf," it said.

Tehran Radio said that on the northern front, the offensive near Haj Oman, which was launched on Sunday night, was continuing. Three Iraqi bases np to eight miles inside Iraq were said to have been taken. Iraqi casualties were put at 3,700 with 277 taken prisoner.

Hojaleslam Ali Akbar Rarsanjani, Iran's Speaker of Parliament, said the attacks were timed to coincide with the Non-Aligned conference in Harare.

"God willing, we will run down the enemy's forces with these moves in a way that will set the stage for complete success in the decsive operation to start, for which we are awaiting suitable conditions," he told parliament yesterday.

Iranian leaders have repeatedly threatened an all-out offensive to end the war, which enters its seventh year this month. They rejected Iraqi peace overtures launched in advance of the Harare summit.

"Agents of world infidelity in the sensitive Harare conference want to create a political atmosphere to revive the hopes of (Iraqi President) Saddam Hussein's supporters," Mr Rafsanjani said.

"We had to make a move to disappoint them and let them understand that their preplanned political manoeuvres cannot affect our defence programmes."

In Harare, President Khamenei called for the execution of Iraqi leaders and said delegates were "dnty-bound to expel Iraq from the Non-Aligned Movement."

Iran categorically rejects peace with Iraq's ruling Baath Party.

Botha visit heightens Japanese concern

By Carla Rapoport in Tokyo

Japan's anxiety over the question of imposing further economic sanctions against South Africa is likely to be heightened by the five-day visit of Mr Pik Botha, South Africa's Foreign Minister, starting today.

Both Japanese and South African officials say the visit is a "purely private trip," but Mr Botha is expecting to meet Mr Tadashi Kuranari, Japan's new Foreign Minister. Japan and South Africa do not maintain full diplomatic relations and, if the meeting does take place, it will be the first high-level diplomatic exchange between the two countries.

Japanese officials yesterday stressed, however, that any meeting would be perfunctory, with Japan emphasising its continued opposition to apartheid. Nonetheless, it is assumed that Mr Botha would take the opportunity to urge Japan not to participate in any plan by Western countries to impose comprehensive sanctions.

Japan has maintained limited sanctions against South Africa for a number of years, including a ban on direct investment. Nonetheless, Japan ranks as South Africa's second largest trading after the US. Trade between the two countries this year is expected to be worth around $4.2bn, with imports outweighing exports by a factor of about two to one, according to Japanese trade statistics.

Last month Foreign Ministry officials disclosed that Japan was considering further, moderate economic sanctions against South Africa, including restrictions on the granting of entry visas to South Africans and a ban on the import of South African iron ore and coal.

Japan also imports a number of rare metals from South Africa, including chromium, platinum, and vanadium.

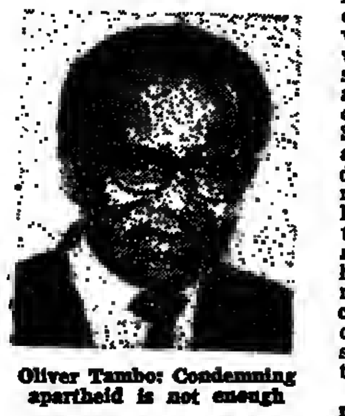
Japan has consistently maintained a low profile on the question of sanctions and apartheid. Although it has a small, vocal anti-apartheid organisation, the vast majority of Japanese are apathetic about the domestic problems of a country thousands of miles away.

Tambo urges pressure on opponents of sanctions

BY VICTOR MALLET IN HARAR/

MR OLIVER TAMBO president of the banned African National Congress told e news conference at the non-aligned summit in Harare yesterday that the ANC wanted to see pressure applied to Britain and other countries opposing sanctions. He stopped short, however, of calling for trade sanctions against Britain itself beceuse of its stance.

"Pressure should be put on those who are allies of the apartheid system especially when they resist what the entire world demands," he said. "Yon don't end apartheid by saying you abhor it."



Oliver Tambo: Condemning apartheid is not enough

Mr Tambo said he would be prepared to meet Sir Geoffrey Howe the British Foreign Secretary, in London this month, before the European Community Council of Ministers currently chaired by Sr Geoffrey, meets on sanctions.

Mr Tambo also appealed to the Third World to go further in implementing sanctions against South Africa than it has done so far. A document under consideration at the Harare summit pledges non-aligned nations to support sanctions without necessarily enecting them. The ANC leader urged the summit to follow Zimbabwe and Zambia in promising sanctions, saying he feared the two countries would be exposed to retaliation while their measures, which include cutting air links, would be ineffective in isolation.

Mr Tambo, referring to the political violence inside South Africa, said he was not happy with radicals in black townships killing their opponents with the "necklace"—a tyre put around the victim and usually set ablaze with petrol—but said he could understand the anger which led to such attacks. "We would rather there was no necklace," he said. "My people can take this as a hint."

Asked whether the ANC had planted a bomb in Durban on Monday which injured 18 people, Mr Tambo said: "I don't know. I heard about the bomb on the BBC this morning."

Western diplomats say they are pleased with the relatively moderate tone of the summit so far. They praise Mr Mugabe for statesmanship and eay anti-American and anti-Western rhetoric has been relatively mild.

President Fidel Castro of Cuba, e former head of the movement, demanded the cancellation of all Third World debt. He called debt the "aids of the world economy" and the International Monetary Fund the "financial gendarme of imperialism." He also offered to withdraw 20,000 Cuban troops from Angola, out of a total of some 35,000 stationed in the country, if South Africa gave independence to Namibia.

Pretoria gives in to calls for Soweto debate

BY TONY ROBINSON IN JOHANNESBURG

THE South African Government has finally agreed to hold an emergency debate on last week's violence in Soweto in which at least 20 people were shot by security forces during a protest against evictions. The concession came after the Speaker had twice turned down an opposition request for a debate. The announcement was made by Mr Hendrik Schoeman, Leader of the House, who had to defuse opposition anger at alleged Government high-handedness over procedural matters by apologising for not consulting opposition whips over Government plans to shorten the parliamentary sitting for lack of business.

In Soweto itself, which remains tense but calm, preparations are going ahead for a planned mass funeral of last week's victims on Thursday, and the Soweto Chamber of Commerce and Industry yesterday added its voice to community appeals to the Government to allow the funeral to take place without interference by the security forces.

Meanwhile in Pretoria, a Supreme Court judge has referred to trial the case of Father Smangaliso Mkhatshwa, the Roman Catholic priest who was detained under the emergency laws, and sought an injunction restraining the security forces from assaulting him. Last week Father Mkhatshwa testified that he had been tortured and assaulted by security forces during interrogation. Mr Louis le Grange, the Minister for Law and Order, yesterday lodged a counter affidavit alleging that Father Mkhatshwa had trained youths to make petrol bombs.

In a replying affidavit placed before the court yesterday, Father Mkhatshwa said the accusations were "laughable nonsense cowardly and defamatory" and added: "It seems that Mr le Grange is seeking to smear the Catholic Church by innuendo." The Mkhatshwa case has provoked wide interest and indignation in church circles worldwide and has led to a strong protest from the Vatican.

In his affidavit, Mr le Grange revealed that the interrogation was undertaken by the army at its Pretoria headquarters and not by security police. He added that if any member of the security forces had committed an offence, immediate action would be taken and would lead either to charges in a court of law or departmental disciplinary action.

Referral of the case for trial means that Father Mkhatshwa, who up to now has been detained without trial, will be able to testify in person. He will remain in detention until the trial takes place in several weeks time. Mr le Grange said he deemed the priest's continued detention to be necessary "for the maintenance of public order, or the safety of the public or the termination of the state of emergency."

Cape Town by-elections will test support

BY OUR JOHANNESBURG STAFF

SOUTH AFRICA'S ruling National Party will be an interested spectator on the sidelines as two by-elections take place today in the Cape Town parliamentary constituencies of Pinelands and Claremont, vacated by the resignation from parliament last February of Dr Frederick van Zyl Slabbert, former Leader of the Opposition, and Dr Alex Boraine.

The NP has decided not to oppose the Progressive Federal Party (PFP) in these two safe PFP seats but has urged its supporters to vote instead for the New Republic Party (NRP), the dying remnant of the once-powerful United Party of General Smuts.

A more important test for Government takes place in the Klip River constituency, also in the Cape, on September 17 when the NP faces a direct challenge from the Herstigte Nasionale Party (HNP). The HNP has made an electoral pact with the Conservative Party to prevent dispersion of the anti-Government right-wing vote which has helped the NP retain its seats in several previous by-elections.

The Government, which has strongly hinted that it is contemplating early general elections, will be looking at the PFP's performance in the two Cape Town constituencies to see whether the loss of its former charismatic leader has increased the NP's own chances of wooing English-speaking moderate voters into its camp.

It is also hoping to attract right-wing voters back into the fold after its own about-turn on reforms at the recent party congress in Durban and its rejection of foreign interference. It hopes to gauge the strength of these hopes by its performance against the HNP on September 17.

In the run up to these two by-elections, the PFP has stepped up its attack on the Government in parliament, accusing it of arrogance and strongly criticising imposition of the state of emergency. The two elections will also be a test of the popularity of Mr Colin Eglin, who stepped in to resume the leadership after Dr van Zyl Slabbert's departure, and an indication of how far white "liberals" are prepared to demonstrate their opposition to NP policies and support for the kind of bridge-building which the PFP is attempting with the black majority.

● Soweto businessmen called on the authorities yesterday to stay clear of a planned mass funeral for 20 blacks shot by police in the township last week, AP reports from Johannesburg.

The Soweto Chamber of Commerce said its members would close their businesses for three hours on Thursday, releasing thousands of employees to attend the planned funeral.

Six hours after the businessmen's statement was published, the Soweto Divisional Police Commissioner, Mr Gideon Loubscher, issued over the South African Press Association wire a series of restrictions on funerals in Soweto. A police liaison officer, Maj F. J. Zwane, said the restrictions were not new.

Capital markets get a yen for the yen

By Peter Montagnon, Euromarkets Correspondent

THE JAPANESE yen is now the second most important currency in international capital markets after the US dollar, but its internationalisation has been held back by slow growth of its use as a reserve currency and in trade financing.

These are the main conclusions of a new study by Mitsubishi Bank on the international role of the yen. Its publication comes two years after a joint US/Japanese government study group called for the yen's international role to be strengthened.

Mitsubishi says that yen-denominated financings in the international capital market leapt to Y5,600bn ($36.4bn) last year from Y2,300bn in 1983. Since the start of this year the volume of new yen-denominated bonds has been growing at an annual rate of Y4,000bn.

In the first quarter of this year the yen held a share of 12.6 per cent of international capital market transactions, pushing it above the Swiss franc into second place after the US dollar for the first time.

A breakdown by currency of medium and long-term international bank credit also shows the yen in second place, with a 1985 per cent share of 14.1 per cent compared with a US dollar portion of 61.7 per cent.

But if these figures point to a surge in the use of the yen as an investment currency, it still has a long way to go in other areas—notably as a settlement currency for financing trade and as a reserve currency held by central banks.

Last year only 35.9 per cent of Japanese exports and 9.7 per cent of its imports were settled in yen, Mitsubishi says, while yen accounted for only 6.2 per cent of official world foreign exchange reserves.

The performance of the yen as an international currency "lacks balance," Mitsubishi says, partly due to the absence of a viable short-term money market, which discourages investment in yen funds. "The short term money markets must be expanded and improved before the internationalisation of the yen can proceed further," the study says.

Momentum grows for Mideast meeting

BY ANDREW WHITLEY IN JERUSALEM

INTENSIVE diplomatic efforts to find common ground between Israel, Egypt and Jordan for what is being described here as "the next stage" of the Middle East peace process are gathering pace.

Mr Richard Murphy, the US Middle East envoy, who is spearheading the new drive, flew yesterday from Jerusalem to Amman on the second leg of a surprise shuttle mission. He is also expected to go to Cairo. In Amman he went straight into talks with Mr Zaid Rifai, the Jordanian Premier, and King Hussein and was expected to brief them on his late-night private meeting in Jerusalem, with Mr Shimon Peres, Israeli Prime Minister.

The US is anxious to get Jordan involved in next week's expected summit meeting between Mr Peres and President Hosni Mubarak of Egypt. The meeting, likely to be held on September 10 has attracted intense scepticism in Arab countries about the chances of it moving forward the moribund Middle East peace process.

Lebanon's half - Christian, half-Moslem Cabinet met for the first time in nine months yesterday and called a "prompt, comprehensive and stable ceasefire," to end the country's civil war which had claimed more than 100,000 lives, AP reports from Beirut. Prime Minister Rashid Karami said his 10-man Cabinet also agreed on writing a new national covenant to embody political reforms that would guarantee peaceful coexistence.

In an apparently related move, Mr Ezer Weizman, a senior Israeli Minister, has arrived in Rome on the second stage of a mystery trip to West Germany and Italy. He was scheduled yesterday to see Mr Bettino Craxi, the Italian Prime Minister.

On Monday, Mr Weizman—a top level troubleshooter for the Israeli Prime Minister and the main advocate in the coalition Cabinet, of improved Israeli-Arab relations—had a closed-door meeting with Chancellor Helmut Kohl.

Preparations for the summit coincide with a growing sense of frustration in Arab capitals at apparent US intransigence on Palestinian rights—the key to any settlement of the Middle East dispute.

Egypt appears relatively unenthusiastic about a summit meeting, but will probably go ahead with it under pressure from Washington. Egyptian officials are saying that its success will be jeopardised unless Israel exhibits flexibility on the Palestinian issue.

Stewart Fleming reports from Washington: The decision to send Mr Murphy to the Middle East may herald a period of increased US diplomatic activity in the region aimed at encouraging closer diplomatic relations between Egypt and Israel as well as giving support to the moderate Mr Peres.

Commenting on reports that Mr George Shultz, the US Secretary of State, may decide to visit the region, possibly as early as next week, State Department officials said yesterday that no decision had been taken on such a step.

The official US position has been that he would be prepared to go if it was felt that such a visit could be helpful in negotiations involving Israel, Egypt and Jordan. A decision appears to hinge in part on Mr Murphy's assessment.

TRADES UNION CONGRESS IN BRIGHTON

Kinnock wins support for Labour's election policy

BY PHILIP BASSETT, LABOUR EDITOR

TRADE UNION leaders responded enthusiastically yesterday to a toughly worded message from Mr Neil Kinnock, the Labour Party leader, that a future Labour government would not be diverted from its policy of reducing unemployment whether or not it secured union co-operation to do so.

Union leaders indicated that such co-operation would be forthcoming. They acknowledged that this was in effect a coded message on pay restraint.

The united reaction to Mr Kinnock's message at the Trades Union Congress (TUC) meeting in Brighton is a further indication of the determination of unions to resolve their differences and join together to try to increase Labour's chances in the run-up to a general election.

In his address to the congress, a confident Mr Kinnock, in a powerful speech, focused on two principal areas: Labour's relationship with the unions and the shape of its future economic strategy.

Mr Kinnock welcomed the "monumental majority" at the congress earlier this week for the TUC-Labour Party's proposals for a new programme of employment law, including ballots on strikes, though he insisted that the new partnership between Labour and the unions did not mean either state control of the unions or the "colonisation" of management. Either would be "fundamentally wrong."

He would not be asking and the unions would not be giving any rubber-stamps or blank cheques. The partnership must not mean the subordination of unions.

Mr Kinnock made it clear, too, that a Labour government would serve "the wide public interest and not narrow vested interests." He added: "If co-operation and agreement is denied on these policies, and progress is not given in any quarter it might slow the pace, it might retard progress. But I tell you and everyone else now it will not change the direction of these policies for jobs and for growth in our country."

Mr Kinnock set out for the first time how Labour sees its programme of economic work. There would be a two-year emergency policy to generate jobs for 1m people. A five-year medium-term-employment strategy of investment would promote industrial reconstruction and modernisation to sustain the new jobs. A 10-year planning "horizon" would be aimed at establishing coherence and continuity of economic policy.

Labour Party leaders are laying great stress on this as the method of economic recovery.

Delegates at the congress received Mr Kinnock's speech well, giving him a protracted standing ovation. Mr Tom Sawyer, deputy general secretary of the public employees' Nupe, and a key member of Labour's national executive committee, said: "I cannot remember a Labour leader having a better reception."

Call to restore GCHQ rights

DELEGATES passed unanimously a resolution calling for restoration of trade union rights at government communications headquarters (GCHQ) "as they existed before" the union ban there in 1984, our Labour Staff writes.

This appears on the surface to contradict the civil service unions' offer, made immediately after the ban, and never withdrawn, of a no-disruption guarantee for the signals and intelligence monitoring network based at Cheltenham.

However, it was made clear by the First Division Association, the senior civil service union which proposed the resolution, that there would be recognition by the unions of the "genuine security needs" of GCHQ.

Mr Alan Healey, FDA chairman, said GCHQ staff would not be looking to a future government to offer only a "watered-down" form of trade unionism at the Cheltenham base and its out-stations. "They want the full set, and they deserve it."

● The TUC will draw up a 10-year plan for improvement of health and safety at work, key points of which may be adopted by a future Labour government. This was agreed by congress in a resolution expressing grave concern at the "blatant disregard displayed by many employers" of the Health and Safety at Work Act.

● The next Labour government should carry out a review of the running of the National Health Service to create a more democratic system of management, the TUC declared.

● A campaign aimed at improving existing occupational pension schemes – and the control employees have over them – was unanimously backed by delegates.

Right strengthens hold on council

RIGHT-WINGERS strengthened their majority on the TUC general council yesterday at the expense of Mr Ray Buckton, general secretary of the train drivers' union Aslef, who lost his seat after 13 years' service, Philip Bassett writes.

Left-wingers were angry that Mr Buckton has not been elected, arguing that it showed the right-wing group on the TUC at its most hard-faced, since Mr Buckton is making a slow recovery from a serious illness.

They were annoyed, too, that he should be replaced by Mr John Morton, general secretary of the Musicians' Union. Though for long a stalwart of the left, when the general council's electoral system was altered and the power of patronage of the large unions – especially the TGWU transport workers – was removed, Mr Morton moved to the right.

The right has strengthened its overall general council majority from a worst case 25-24 to 28-23. In practice, the right-wing voting strength is often considerably larger.

BR to end tribunal chairman's contract

By Our Labour Editor

BRITISH RAIL is not renewing the contract of Lord McCarthy as chairman of the Railway Staffs' National Tribunal, BR's highest-level appeals body.

The removal of Lord McCarthy, who has chaired the tribunal since 1973, has plunged BR and the rail unions into sharp disagreements over a successor. The Advisory, Conciliation and Arbitration Service (Acas) has been called in to try to resolve the deadlock.

BR's move against Lord McCarthy, who has until the end of the year to complete his work with the tribunal, is understood to stem in part from strong pressure from the Department of Transport. It also reflects deep unease at senior levels of BR management with the slowness of the industry's consultation machinery, of which the tribunal is the peak.

Some BR managers would like to scrap the tribunal, having become increasingly dissatisfied with its awards. In particular, they are still resentful at the decision on flexible rostering – new patterns of working – for train drivers in 1982.

BR has also refused to accept a central part of a recent award from Lord McCarthy on using railway inspectors in a different way to help to resolve the issue of single manning of locomotives.

Originally, the three rail unions opposed BR's decision. Finding the board implacable, the NUR and Aslef proposed as a new chairman Mr John Hughes, principal of Ruskin College, Oxford, though the white-collar TSSA was in favour of Mr Ian Buchanan, of London Regional Transport's wages board.

BR insisted it would not accept Mr Hughes, who, it said, had always been a union-side member on tribunals. Under the machinery of the agreement which covers the operation of the tribunal, and under which BR has given Lord McCarthy notice, if there is no agreement between BR and the unions, the issue has to be referred to Acas for it to nominate a chairman.

Acas officials are likely only to nominate someone who they are sure will have the support of all sides. They will now make unofficial approaches to the unions and the board to see if there is common ground on a suitable candidate.

Ambitious Amstrad hopes to revolutionise computer market

David Thomas reports on the obstacles facing a new personal computer

THE NEW Amstrad personal computer "will revolutionise the PC market wherever the company chooses to market," Mr Alan Sugar, Amstrad chairman, said yesterday.

Yesterday's Amstrad launch, kicked off by an actor dressed in pyjamas watching a faulty TV (presumably not an Amstrad) who was introduced to the wonders of the Amstrad PC by another actor dressed as a spaceman, was remarkable for its razzmatazz.

But even judged against such a showbizz backdrop, Mr Sugar's claim about his IBM-compatible PC1512 deserves to be treated seriously.

On the most basic measures, price and volume, the Amstrad PC is an extraordinary machine. Ranging from £399 to £949 (all figures plus VAT), it will undercut virtually all the competition in Europe, if not in the US.

Mr Sugar is planning for sales of about 800,000 machines in its first year on the market, which would put Amstrad in one bound among the top PC companies in the world.

About 70,000 machines a month will be put together in the Far East immediately for Amstrad, with production moving up to about 110,000-120,000 a month next year if the launch in the US goes well.

These figures, if achieved, would represent a significant slice of the market, which will be about 850,000 machines this year in Europe and is growing by up to 30 per cent a year, according to Romtec, the computer marketing consultancy.

How big a slice of that market Amstrad takes, and what impact its machines will have on the rest of the PC world, depends on a host of factors, including:

Customers: One way Amstrad could meet its targets is if its prices drew in a whole raft of new PC users such as small businessmen who have so far fought shy of computers.

Mr Sugar yesterday predicted that his machines were cheap enough to create one such new mass market: business PCs in the home.

Yet for really large sales, Amstrad will have to take some large corporate customers. They had already shown great interest, Mr Sugar said.

Competitors: Any serious inroads into the corporate market would mean Amstrad biting into the PC sales of large, well established competitors, a point Mr Sugar accepts.

In Europe, that means IBM, followed by companies such as Olivetti, Apple and Compaq. In Britain, Apricot also features though it has moved out of the bottom end of the PC market.

PC prices have been consistently tumbling, but it is unlikely that any of the other companies will rush into an immediate round of price cuts until it becomes clear what inroads Amstrad is making.

Amstrad doubts whether its competitors could beat it on price anyway. "Their overheads are such that it would be impossible for them to come down to our levels," Mr Sugar said.

Some think that Amstrad will be weak on other dimensions. "Trying to compete solely on margin is a dead loss," argues Mr David Maroni of Olivetti's UK subsidiary. "The public has beeo bitten so many times that they are looking for companies that can give total support."

Mr Sugar believes the distribution and service arrangements for his PCs will meet that need.

Sellers: The Amstrad PCs, if successful, will also have an important impact on the retail market.

Amstrad will be selling some – Mr Sugar does not know how many – through standard business PC corporate suppliers and dealers. But Mr Sugar also stressed that he was looking for large sales through retailers such as Dixons, Boots and W. H. Smith.

Software: The Amstrad PC's impact on software could be equally innovative.

Mr Paul Bailey, European vice-president of Digital Research, the US-based software company whose GEM graphic software features on the Amstrad PC, stressed that he bad had to come up with software costing less than £100 if it was to be relevant to a machine of Amstrad's price.

So Amstrad's move is nothing if not ambitious. Perhaps its main problem will be selling in the US, where the market is less buoyant

Official reserves hit by support for sterling

BY GEORGE GRAHAM

BRITAIN'S official reserves of currencies and gold fell last month as the authorities used their resources to support sterling in the foreign exchanges.

The reserves fell by $159m during August to $18.9bn (£12.7bn), the Treasury said yesterday. Taking account of borrowing and repayments by local authorities and public-sector corporations under the exchange cover scheme, the underlying fall in reserves was $141m.

The drop reflects intervention by the Bank of England early in August to prop up the pound as it plunged to new lows against the West German D-Mark. Although the correlation between intervention in the markets and movements in the official reserves is not direct, the Bank's action was felt at the time to be unusually open.

In July the official reserves showed an underlying fall of only $4m, and the authorities began to feel that they might seem to be unconcerned about the pound's slide.

The intervention came as sterling slipped below DM 3.04 and appeared to brake the fall, helped by the agreement of the Organisation of Petroleum Exporting Countries on oil production cuts.

Left attacks new head of cash watchdog

THE APPOINTMENT yesterday of Mr David Cooksey, managing director of Advent, a venture-capital company in the high-technology field, as chairman of the Audit Commission came under strong attack from local authority associations, the TUC and the Labour Party, writes Richard Evans.

It seems certain to strain relations further between councils and the commission, an independent watchdog on local government finance launched in April 1983.

The main criticism is that Mr Cooksey appears to be an arbitrary choice who lacks the relevant experience

Tourism outlook better than expected

By David Churchill

THE OUTLOOK for Britain's tourist industry this year is better than had been expected following the slump in US tourists to Britain earlier this year.

Mr Duncan Bluck, chairman of the British Tourist Authority, said yesterday: "By July there was ample evidence that the downturn had been temporary and that the American market was returning to near normal."

But Mr Bluck believes that the overall effect on Britain's tourist trade this year will be about 10 per cent fewer visitors to Britain than in 1985. "This might be a little pessimistic, but it would still represent the second-best year ever for British tourism," he said.

The authority yesterday released figures showing that 1985 was a record year for tourism. It reveals that last year there were 14.5m visitors to Britain, representing an increase of 6 per cent over the 1984 figure. These visitors spent some 16 per cent more than in 1984 to reach a total of £6.7bn.

The US was the largest single point of departure for visitors to Britain last year. Total numbers rose by 15 per cent to 3.2m while the amount spent in Britain rose by 35 per cent to £1.5bn.

In the first quarter of this year, transatlantic travel from the US was up by 12 per cent on the high level reached during 1985. However, the Libyan bombing raids in the spring led to a slump of about 20 per cent in US visitors to Britain in the second quarter of the year.

"Energetic efforts were made by the BTA, in co-operation with the tourism industry, to allay the strong, if largely irrational, fears of some Americans about travelling here," said Mr Bluck.

Domestic tourism last year grew less slowly than tourism from overseas. According to the authority, total spending last year by Britons on holidays within the UK rose by 3 per cent to £3.9bn.

The authority points out that "travel abroad by British people slackened its pace although the outward movement still increased by 3 per cent to 21m visits."

** British Tourist Authority annual report; Finance department, BTA, Thames Tower, Black's Road, London W6. £5.*

FARNBOROUGH INTERNATIONAL AIR SHOW

Shorts, de Havilland to study commuter aircraft

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SHORT BROTHERS, the aircraft manufacturer of Belfast, and the de Havilland aircraft company of Canada (which is now owned by Boeing of the US) have signed an agreement whereby they will study jointly the requirements for a new generation of commuter transport aircraft for use by regional airlines in the 1990s.

The memorandum of understanding was signed at the Farnborough International Air Show yesterday by Sir Philip Foreman, chairman and managing director of Shorts, and Mr William B. Boggs, president of de Havilland Canada.

It is possible that at least one other partner may join the programme. This could include Embraer of Brazil, with whom Shorts already has a comparable study agreement on future commuter aircraft.

Both Shorts and de Havilland Canada have been involved for a long time in manufacturing commuter aircraft with several hundred aircraft already in service. Shorts builds the 330 and 360 airliners while de Havilland the four-engine Dash 7 and the twin-engine Dash 8

The two companies will now start studies in market definition, the use of new technologies, alternative designs and the use of different types of engines. The emphasis will be on design and manufacturing techniques to reduce ownership costs to the airlines.

If these studies are successful, they are expected to last about a year. The two companies will then consider a further agreement on a joint production programme.

Sir Philip said that the agreement would enable the two companies to utilise their facilities and resources better and that the combined effort should increase market penetration when a decision was made on a resulting joint venture.

"Collaboration is the name of the game," said Sir Philip. "There are too many manufacturers already, and it makes sense to get together.

"By joining forces on this project we hope to bring a new aircraft to the market in the 1990s with an enhanced competitive position. These considerations are of paramount importance to our customers, who will be the real long-term beneficiaries of this programme."

Each company will be responsible for its own costs, and the programme will be administered by a team selected from both partners.

In addition to the Shorts/de Havilland pact, Boeing of the US has signed a separate agreement with Messerschmitt of West Germany and Nurtanio of Indonesia to study ideas for a new small airliner of about 70 seats for service in the 1990s.

The partners will study the market for such an aircraft, and a decision whether or not to build such an aircraft is expected to be taken some time in 1987.

Rolls-Royce stands by GE link

BY OUR AEROSPACE CORRESPONDENT

SIR Francis Tombs, chairman of Rolls-Royce, yesterday re-emphasised the company's commitment to its collaborative agreement on aero-engine development with General Electric (GE) of the US.

Speaking at a private Farnborough dinner in London, Sir Francis said of GE: "Wa admire their capability and have a mutually beneficial relationship which we in Rolls-Royce wish to continue."

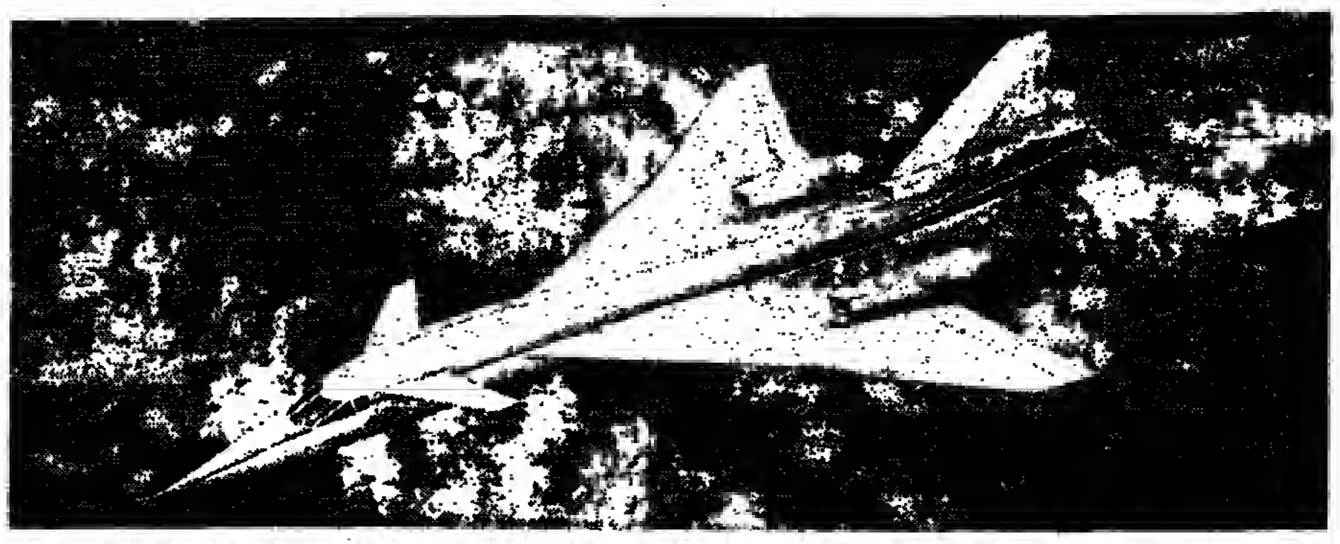
Sir Francis was commenting on the fact that recently Rolls-Royce had won the order for aero engines in the 16 Boeing 747 series for 400 Jumbo jets ordered by British Airways, in the face of intense competition from GE despite the fact that the two engine companies had a long-standing collaborative agreement.

Sir Francis said: "Wa made up our minds to win on straight technical and commercial grounds." But he added that it was important to dispel erroneous impressions that arose during the hard-fought battle.

"Our collaborative agreement did not in any way preclude competition between the General Electric CF6-80C and the RB-211-524D4D engines.

"Indeed any such undertaking would have fallen foul of US anti-trust requirements, and therefore it is hardly surprising that the agreement recognised that we would continue to develop the 524 engine."

Sir Francis said that Rolls-Royce remained confident that privatisation of tha company would be achieved in April or May of next year. He remained confident that the company would have a continued good track record of profitability



British Aerospace's idea for a 12-seater supersonic business jet aircraft, unveiled at Farnborough. At present this is only a conceptual study.

Funding row over fighter deepens

THE DISPUTE over future funding for the Experimental Aircraft Programme deepened yesterday with a threat by British Aerospace officials to ground the high-technology demonstration aircraft next week unless the Ministry of Defence shows that it wants to continue funding flight tests, Lynton McLain writes.

The £180m EAP is the most advanced and most expensive fighter aircraft built in tha UK and is a forerunner to the £20bn Eurofighter programme of the UK, West Germany, Italy and Spain.

The EAP has so far been funded through a partnership of the MoD, British Aerospace and other UK, West German and Italian aerospace companies. The MoD put in £80m with £100m coming from the manufacturers.

MoD funding ceased as soon as the EAP landed after its maiden flight on August 8.

"The MoD has to all intents and purposes pulled out of the joint industrial Government-funded programme," Mr John Vincent, the EAP project manager told the Financial Times yesterday. "Wa have no more money and no feeback from the MoD about its intentions."

This is despite the need for at least a further 18 months or so of flight-testing.

The result is that British Aerospace and its partners had to fund all subsequent flight-testing without the support of the principal original partner, the MoD. This had involved the company spending millions of pounds since the maiden flight, Mr Vincent said.

BAe officials believe that the MoD wants to link further funding of the EAP with future decisions on the Eurofighter. There was a reluctance at the MoD to talk about the EAP separately from the Eurofighter programme, Mr Vincent said. "This is upsetting the British Aerospace and the other industrial partners in EAP," he said.

The MoD said last night: "We are considering the future connection of the EAP aircraft and the Eurofighter programmes, and when that is decided, we might then be in a position to decide future funding for the EAP."

Eurofighter engine project launched

A JOINT international engine company has been set up to design, develop and manufacture the engine for the forthcoming Eurofighter aircraft, Michael Donne writes.

The company, called EuroJet Engines GmbH, will be registered in West Germany with its headquarters in Munich. Mr Colin Green of Rolls-Royce will be the managing director. The four partners will be Rolls-Royce of the UK, Fiat Avizione of Italy, Motoren und Turbinen-Union (MTU) of Munich and Sener of Spain.

There will be a board of 12 members, three from each company. The chairmanship will rotate on a regular basis, but the first chairman has not yet been named.

The work-sharing arrangements will be the same as each country's financial stake in the programme. Rolls-Royce and MTU of Germany will each have 33 per cent, Fiat Avizione 21 per cent and Sener 13 per cent.

The engine to be developed will be called the EJ-200, with 20,000 lbs of thrust, and will incorporate Europe's latest engine technology.

The definition studies on the new engine are nearing completion. Present planning envisages the first run of the engine about 18 months after development approval with flight clearance about two years later. The engine is expected to enter service in the Eurofighter aircraft itself in about 1995.

The new company is being organised along similar lines to Turbo-Union, the company set up some years ago by Rolls-Royce, MTU and Fiat to build the RB-199 engine for the Tornado multirole combat aircraft.

Fiat will undertake the low-pressure turbine, reheat system, gearbox and oil system and the intermediate casing. MTU will undertake work on the high and low-pressure compressors and will participate in the high-pressure turbine.

Rolls-Royce will have responsibility for the combustion system, the high-pressure turbine and the intermediate casing and is participating in other parts of the engine. Sener will have responsibility for the nozzle, jet pipe, exhaust diffuser, low-pressure shaft and the bypass duct.

New type of prop-fan to be tested

By Our Aerospace Correspondent

A QUIETER version of the General Electric prop-fan engine called the unducted fan is being built for flight tests on a McDonnell Douglas MD-80 test aircraft in mid-1987 as part of a programme by McDonnell Douglas to join the prop-fan era.

The first "proof of concept" prop-fan engine built by General Electric (GE) is already flying in the US in a Boeing 727 test aircraft. It is claimed to be producing even lower noise levels and fuel consumption than originally predicted.

The second prop-fan engine that GE is about to build will be of a slightly different design. It will have two counter-rotating hubs. On one hub 10 propeller blades will be mounted and on the second eight blades. This configuration, which is based on McDonnell Douglas's own research, is expected to reduce the engine noise levels further to enable the engine to meet US regulations.

Parts of this second engine are on order, and GE will begin assembly later this year.

Sabreliner and MEL in pact

MEL, a UK-based Philips electronics company, and Sabreliner of St Louis in the US announced yesterday an agreement to develop jointly the Sabre Super Searcher, a low-cost modification of the Sabreliner military executive transport aircraft, Lynton McLain writes.

The Sabre Super Searcher will be used as a maritime reconnaissance and air-sea rescue radar aircraft. It will use MEL's Super Searcher maritime airborne radar.

Creativity 'vital requirement' for high-technology industries

David Fishlock, Science Editor, reports from the British Association's annual conference

TO STAY young and continue to learn widely were vital requirements for employment in the large high-technology industries, Mr John Coplin, Rolls-Royce's director of design, told the education section at the British Association's annual conference at Bristol University yesterday.

Mr Coplin said creativity was becoming increasingly neglected in high-technology industry. "It is very demanding. It relies for its success on a very deep understanding of what is going on in terms of scientific advance the world over, coupled with a deep understanding of the engineering and basic economic principles."

Lateral thinking, the bubbling-up of ideas, their discussion with friends and experts – all were important steps towards "a creative spark which can ignite a rewarding process."

It was still more demanding because, in order to work, the creative mind had to persuade many people to invest in his idea before anyone else had done it.

Rolls-Royce believed that, if it could apply its design and development skills interactively, so that the costly development phase was mainly concerned with confirming that the design worked, it could cut the costs of inventing a new aero-engine to as little as a fifth and reduce the time needed by up to a half.

But he warned that this new approach also had huge potential for being counter-productive. It was tempting for the designer to use only what was fully proven, to the point where any competitive edge was lost.

Prof Arie Zuckerman of the London School of Hygiene and Tropical Medicine told the biosciences section that a vaccine to protect against one of the most lethal kinds of cancer was being evaluated in several countries.

Prof Zuckerman, professor of microbiology at London University, said unique opportunities existed for the first time to prevent a common cancer by immunisation. Primary liver cancer was one of the 10 most common cancers worldwide, with over 250,000 new cases each year. Average survival of victims was only three or four months.

There was much evidence that, in 80 per cent of patients, the cause of primary liver cancer is infection with hepatitis B virus. Chemically synthesised polypeptide vaccines had many advantages as safe, cheap and reproducible prophylactics.

Mr George Holmes, director general of the Forestry Commission, in his presidential address to the forestry section, forecast dramatic results from the application of the new techniques of biotechnology to forestry.

The potential was immense for enhancing tree vigour and form, wood quality and resistance to pests and diseases, as well as improving growing conditions through site treatments.

One of the most exciting prospects was tree improvement through developing the genotype. "In agriculture, conventional plant breeding has been dramatically successful in increasing and stabilising crop yields over several decades. In forestry, on the other hand, tree breeding is at an early stage, and the potential gains are very high."

Dr Melvin Cannell, from the Natural Environmental Research Council's Institute of Terrestrial Ecology, in a paper analysing the efficiency of this way of harnessing solar energy said that, if Britain's forests produced nothing but fuelwood, they would fulfil only 2 to 6 per cent of the national energy demand.

The forest area available for growing fuelwood was likely to be less than a quarter of the nearly 2m hectares of productive forest in Britain. It would provide less than 1 per cent of its energy needs.

"This reality is not always appreciated by those who focus on the limited energy needs of households or small enterprises." The picture was also quite different from country to country.

In his presidential address to the chemistry section Prof Brian Thrush, professor of physical chemistry in Cambridge University, said most people encountered air pollution indoors, from the combustion generated by those who smoke, by gas cookers and by fires.

But publicly, the concern which in the 1950s had focused on soot and sulphur dioxide switched to ozone depletin in the 1970 and to "acid rain" in the 1980s. Today, ozone was generally accepted as a major contributor to forest damage.

Teachers in deal on covering for colleagues

BY DAVID BRINDLE

THE NUMBER of children being sent home from school because of teachers' refusal to cover for absent colleagues is expected to be reduced sharply, following an agreement worked out yesterday after 13 hours of talks.

The interim agreement, accepted in principle by the National Union of Teachers (NUT), the biggest teaching union, includes recognition by the employers for the first time that teachers should not have to cover for colleagues for more than the first day of absence.

As well as ensuring that fewer children miss lessons, the agreement is crucial to the wider deal on a new salary structure and employment contract for teachers signed in July. Without it, the deal was likely to collapse.

The agreement applies to the autumn school term and is supported by the NUT, the Assistant Masters and Mistresses Association (the third-biggest teaching union) and the Professional Association of Teachers.

The two head teachers' organisations and the National Association of Schoolmasters Union of Women Teachers, the second-biggest teaching union, declined to endorse the agreement. However, this is not expected seriously to affect it.

Most problems caused by teachers' refusal to cover involve NUT members – particularly in London, where the union's local association has since the end of the teachers' pay dispute in July maintained a policy of no-cover.

The agreement, still subject to ratification, says that, where no formal local arrangements exist, employers will use their "best endeavours" to organise cover through temporary teachers after the first day of absence.

Where this proves impossible, cover should be shared equitably among all teachers within a school. The agreement will be policed by employers and union leaders at national level.

In return for this, the unions have accepted that there can be no extra funding for cover duty or supply teachers this term.

Although the agreement is without prejudice to further negotiations on a permanent arrangement, to be introduced from the start of the spring term, it will be difficult for the employers to pull back from the principle of only one-day cover. Previously, they have wanted cover for the first three days.

Multipart joins Belgians to sell in Europe

By Kenneth Gooding

MULTIPART, the Rover Group subsidiary which claims to be the UK's largest distributor of commercial vehicle parts, is to move into some major continental European markets by way of a deal with Itap, the Belgian wholesaling company.

From next February Itap, which is part of the Willy van Doorne Group of the Netherlands, will be able to use the Multipart name in Belgium, France, Luxembourg and West Germany.

Itap will also enjoy the benefits of the UK company's bulk purchasing power. However, the Belgian company will not distribute those parts unique to Leyland vehicles. Unique Leyland parts will continue to be exclusive to the Leyland Service outlets.

Multipart operates from the Leyland Parts distribution centre at Chorley, near London, which is just coming to the end of a five-year, £17m modernisation programme.

The organisation carries £100m of stock at list price and distributes parts to fit trucks and coaches produced by Western Europe's 12 major producers, as well as those for Leyland vehicles, through 600 distributors, dealers and stockists in the UK.

TECHNOLOGY

Genetic attack launched on a killer in Asia

Stephanie Yanchinski, in Singapore, reports on the multi-million dollar race to improve hepatitis vaccines

MERCK SHARP AND DOHME, US pharmaceutical group, has burst ahead in the race to capture e buge potential market for hepatitis B vaccines. The disease is a killor in the Far East and Africa.

Over the past decade a number of pharmaceutical firms have spent millions of dollars on hepatitis research, lured by the large rewards success would bring.

These include: Sanofi, of France, Amgen, Biogen and Chiron Corporation, of the US, Smith Kline-RIT, Belgian subsidiary of Smith Kline French, the US-based multinational, Wellcome Biotechnology, of the UK, and Green Cross Corporation, of Jepan. The Amgen vaccine is undergoing clinical testing by Ortho Pharmaceutical Corporation, a subsidiary of the US giant Johnson and Johnson.

Merck, based in Rahway, New Jersey, was the first to succeed with e vaccine derived from infected human blood. However, quantities remain limited by buman sources for the raw material.

Now approval just granted by the American Food and Drug Administration clears the way for Merck to market a newer version of this vaccine. Based on genetic engineering it can be manufactured in unlimited amounts.

Called Recombivax, and marketed as B-Hepavac II in Asia, it could safeguard millions of Asians and their children from hepatitis and the risk of liver cancer. A fledgling biotechnology company, Singapore Biotech, will distribute and test market Merck's vaccine within the ASEAN region.

However, more ambitious plans to license the technology and build a $520m production facility to manufacture the vaccine in Singapore have been temporarily delayed.

Hepatitis B is a serious inflammation of the liver, caused by a virus. The symptoms inclnde fever, nausea, vomiting and jaundice. In the US alone, between 800,000 and 1m people carry the virus. Doctors, dental workers and other bealth personnel are especially likely to catch it.

In the West, however, it remains a relativaly minor, if persistent, public bealth problem. Elsewhere, where the virus is endemic, bepatitis places severe strains on already limited bealth services.

The estimated 240m who carry the hepatitis virus throughout the world risk developing chronic liver disease, cirrhosis and even liver cancer. About 70 per cent of these carriers live in Asia, mothers often passing the virus to their newborn children.

Merck's conventional vaccine, extracted from the blood of volunteers, takes a year to produce. This limits supplies, and has pushed up prices. The cost, at US$100 for three doses, remains too expensive for the vaccine to be widely affordable in the developing world.

Moreover, the perceived fear of some doctors about the safety of a vaccine derived from infected blood persists, although experts at the World Hoalth Organisation, insist that it is safe.

Feced with an intractible marketing problem, Merck decided on genetic engineering as a way to manufacture a safe, hepatitis vaccine in quantities large enough to innoculate whole populations, and thus break the vicious mother-to-child carrier cycle.

The new vaccine is synthesised by common baker's yeast. This simple organism is genetically reprogrammed to mannfacture a single protein element found in the hepatitis B virus's coat. This "surface antigen" provokes a strong immunity response wben injected into the buman body, similar to that when it is attacked by the hepatitis virus.

Ordinary yeasts are easy to grow in large quantities, and it takes Merck engineers only a few days to ferment the "genetically engineered" varieties in special steel vats. Harvesting and purifying the small amounts of surface antigen requires sophisticated technology and a little more time. Even so, a batch of Recombivax can be produced for market every few weeks.

With ample supplies of vaccine now assured the Chinese authorities, the World Health Organisation and an unnamed donor agency are proceeding with plans to test Recombivax on a large scale.

They are considering a programme which will involve vaccinating at least 100,000 newborn infants in a small province in China, and periodically checking over the next 30 years, the incidence of hepatitis and liver cancer in this group.

Singapore is not the only newly industrialised country planning to manufacture the bepatitis vaccine. Taiwan already sells a blood-derived version in co-operation with the French Institut Pasteur Production, and South Korea is working on its own genetically engineered version, as is China. These should be evailable within a few years.

In June, Smith Kline-RIT appeared to have stolen a march on its great rival Merck, wben it launched its hepatitis vaccine, Engerix B, in Malaysia. But marketing and regulatory problems have forced Smith Kline-RIT to temporarily withdraw its product.

The ASEAN region will depend on Singapore Biotech for its supplies. In 1984 a group of ASEAN ministers accorded the Singapore hepetitis vaccine project top importance when the group designated it an ASEAN Industrial Project. This commits each member of the ASEAN group to a 1 per cent equity stake in Singapore Biotech, and sharing the cost of the $520m production facility.

This commitment from ASEAN depended on reaching agreement with Merck, Sharp and Dohme, over the terms of transfer of technology, including royalties. After a year of discussion Singapore and Merck negotiated a "sort of letter of intent," says Dr Khong Peck Wah, Singapore Biotech's general manager. This includes an option to manufacture the vaccine using Merck's technology.

However, Singapore Biotech will build the facility only if the results of the test market justify the investment. Recombivax's price places it upmarket of mass vaccines such as those for polio which cost at most a few dollars an injection.

This goes against the conventional wisdom that genetic engineering mean cheaper drugs. Elmor A. Fagan, Merck's product manager for Recombivax, says "The cost of biocontainment of the production facility places a heavy burden on US pharmaceutical companies. This, coupled with the increasing cost of science and clinical trials and the effort to be out first pushes up the price of the final product.

Meanwhile, many countries may not be able to afford Recombivax. "With the decline in the economy in the region," says Dr Khong Peck Wah, "governments have less to spend on bealth. And we can only go into manufacture if the market support is there."

Scotiabank's software key to the global market place

BY ALAN CANE

TECHNOLOGY is one of the key factors driving change in international banking, and one of the most expensive. But it is essential to keep up with the latest hardware and software if a marketing edge is to be maintained.

The Bank of Nova Scotia for example, has just announced e $25m investment in a new global wbolesale banking and treasury system which it hopes will be the key to its continued profitability through the 1990s.

The development is planned to last some five years. At the heart of the system is e set of "new generation" computer programs developed by Internet Systems Corporation, a Chicago-based software bouse.

Running on Tandem computers, highly regarded in the financial world for their fail-safe feetures, the software is said to process and consolidate international transactions at high speed from almost anywbere in the world.

Mr W. P. Meinig, senior vice president, administration for Scotiabank, explains that the bank has been using a mixture of mainframes, minicomputers and even some manual systems.

"We wanted to put ourself in the best position to be able to respond to the market," he says. "We needed to automate all our systems while retaining the flexibility we are going to need in the global marketplace."

Two of the biggest problems for banks, in fact, are integrating the client files they have built up over many years usually on a disparate collection of equipment, and setting up effective management reports.

Mr Meinig says: "The Internet System was selected because it provides the best integrated software solution available.

"It will provide the bank with international management information, reporting and communications. It will allow us to manage all major types of wholesale electronic banking products."

He goes on to say that the software will enable the bank to handle transfer pricing efficiently and define profitability by both banking service and client connection worldwide.

"It will also enable us to manage our risk exposure across the full spectrum of corporate and treasury banking services," he states.

Internet system licences have now been sold to seven of the world's leading banks including the Royal Bank of Canada and Deutsche Bank.

Mr Paul Rachal, Internet founder, says the Scotiabank deal is significant because it is a large and well-regarded company with ambitious plans in global banking.

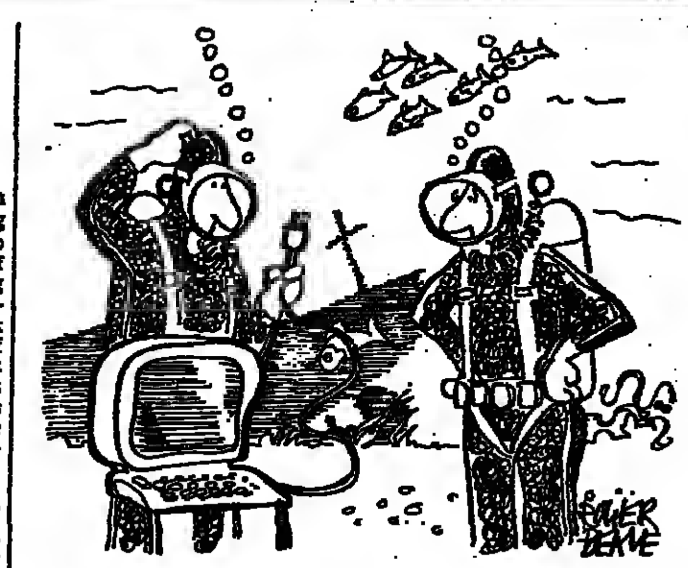
The only real competition to Internet, be states, comes from the banks' own in-house developments—and building a real-time, 24-hour fault-tolerant system is not easy.

Mr Rachal and his colleagues developed the forerunner of the Internet system for the First National Bank of Chicago.

Mr Rachal explains the system is not simply e reworking of the Chicago model bnt is based on new and advanced software technology.

Internet is unusual in that it has an 11-member advisory board representing some of the world's largest banks. The list includes Deutsche Bank, Chase Manhattan, Lloyds, Westpac and Den Danske Bank of Copenhagen.

The system at Scotiabank is currently undergoing service testing and is expected to be in full operation within weeks.



Australian computer takes the plunge

AN AUSTRALIAN research group at the Deakin University in Victoria has developed an underwater computer. The system provides divers with instant navigation, mapping and storage of observational data facilities.

The main applications are during undersea surveys to take away the tedious task of setting out grids of ropes as co-ordinates for samples. Instead an electronic grid on the microcomputer screen displays continuous readings of position and depth.

It will be useful in archaeological mapping, marine pollution analysis, police underwater searches and offshore oil drilling.

WORTH WATCHING

EDITED BY GEOFF CHARLISH

THE DEMAND for new engine designs has prompted the AE group to invest nearly £4m in its valve train components production facilities. Future engines will require more valves per cylinder as designers move more towards twin overhead camshafts and multiple inlet and outlet valves.

The AE Group based at Rugby in Warwickshire is forecasting 25 to 30 per cent increase in the demand for such components. The group's subsidiaries specialise in sintered products which result in cost competitive but good quality components.

CO-ORDINATE MEASUREMENT of engineering surfaces without contact, using an optical system, is offered by Hahn & Kolb (Great Britain) at Rugby (0788 77288).

The object, as with touch trigger probes, is to follow a surface precisely, the associated co-ordinate measuring machine registering the positional data. The probe uses a light beam that is kept focused on the measuring point by detecting the smallest size of the light spot, thus maintaining the probe at a fixed distance from the work. Repeatability is 0.01mm.

With no physical contact, the probe is ideal for checking soft or delicate surfaces, like car seating or soft trim.

SILICON carbide and ceramic fibre materials are helping to improve the efficiency of coal fired power stations. These materials are being used to reduce abrasion problems to pipework, ducts and nozzles by pulverised fuel and the damage to hoppers and ducts used for sluicing away ash.

Inside the boiler, parts have to be protected from extreme heat and thermal shock. Carborundum Resistant Materials in the UK has recently introduced two silicon carbide products to meet the demands of this market. More information is available on 074 488 2941.

Hitachi plays it by numbers

HITACHI Seiki, the Japanese machine tool builder, has developed a computer numerical control systems for its range of turning machines.

The system is unusual in that full instructions of operation and maintenance of both machine and CNC are held in computer files within the control system. The company says that this obviates the need for conventional operator and service manuals.

Screen menus with function key selection, guide the operator through programming routines and colour graphics provide component shape, tool path and area clearance displays. More details from distributors, Tarex, Berger, in Egham on 0784 33711.

TELEPHONE SYSTEMS from Panasonic in Japan are available from Ansamatic in London. They allow incoming calls to be answered by any member of staff, obviating the need for a switchboard and operator.

However, it is possible to add an operator's console to give the full benefits of a dedicated operator if desired.

The systems, designated GX, can have six outside lines with 16 extensions or 12 with 32. They have been designed to meet the needs of small to medium-sized businesses. More from the company in London on 446 2451.

CERAMICS for industrial components such as bearings, extrusion dies, high strength thermal barriers and crucibles are available from TAC Engineering Materials of Trafford Park, Manchester.

The company has established a new ceramics production and development unit specifically for high performance ceramics made from sintered silicon nitride. More details from the company on 061-872 2181.

FINANCIAL TIMES SURVEY
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World Freight

Freight can account for up to 20 per cent of a product's sales value, and ways to increase efficiency are being studied. "Intermodalism" is a vogue word as air and sea operators turn their attention to land business.

Linking up to chain down costs

By Andrew Fisher

THE FREIGHT industry is one of the most varied, complex and sophisticated in the world, yet probably one of the least understood by outsiders.

It does not just involve the moving of goods around the world by sea, land or air. As well as the physical movement, it encompasses finance, insurance, storage and other related activities; all of which demand a highly disciplined management approach and a good deal of planning.

Not all companies give transport *its due regard as a significant* cost element in the distribution chain, which can be reduced or kept in bounds with the right methods and enough foresight.

In many companies, notably *in the UK*, the person in charge of transport is not always of the highest calibre. Thus the freight aspect of business is not always given adequate attention. It is a failing that has caused some concern both in *the freight industry itself* and within the Government.

In an attempt to give the industry a higher profile, the second World Freight conference and exhibition is being held in London next week. The *topics to be discussed run* the full gamut, from air, shipping and intermodal transport, to computerisation, theft, fraud and documentation.

Freight costs account for up to 20 per cent, or more, of a *product's* final sales value. Increasingly, therefore, ways of increasing efficiency in the freight sector are under study.

The door-to-door approach has been with the industry for many years now. So, too, has the idea that trains, lorries, aircraft, and especially ships—the carriers of most freight—are only links in the chain and do not make up the whole industry.

Thus intermodalism, combining more than one method of shifting goods from manufacturer to retailer, has become a vogue word in the freight sector. Air and sea freight operators *all have to pay* close attention to the land side of the movement of goods.

Many of the world's big shipping companies have their own rail and road *services*, or access to trucks and rail wagons, especially *in the vast* continent of North America. They are also tending more to act as total transport operators, taking responsibility for a shipper's goods on routes beyond their own.

Because of the over-capacity *on international* container routes, freight rates have fallen sharply and dragged down profits. On the Pacific, the busiest route in the world, 1984 was a boom year, and US *shipping* companies made hefty profits. Today, though volumes are still rising handsomely, shipowners have seen earnings virtually disappear.

For shippers, the nature of *liner* traffic in and out of the US has changed considerably with the *passing of the 1984* US Shipping Act. This opened up liner trades to rationalisation and co-operation, and allowed service contracts to be negotiated between *shippers* and lines.

Rationalisation deals are occurring on the North Atlantic, where rates have also fallen as competition has hotted up again. Shippers naturally welcome *low rates*. *But* there remain key points of disagreement with shipping companies. Why, for example, do UK shippers often pay higher rates than those from the Continent?

The matter was seen as important *enough to be the subject* of a government study this year. One reason for the disparity was higher UK port charges, stemming *in part* from lack of the subsidies granted elsewhere in Europe, such as the Netherlands, and in *part* from inefficiency.

Britain's major ports have done much to put their houses in order lately. At the relatively new port of Felixstowe, on the east coast of England in Suffolk, *efforts have not* been hampered by membership of the National Dock Labour Scheme, which has tended to inhibit changes in working practices and to make it hard to reduce jobs.

The rival south-coast *port of* Southampton, on the other hand, which is in the scheme, went through a traumatic period nearly two years ago, when it *sought* to cut costs and boost efficiency. For some months, no container ships used the port during the dispute over job reductions and more flexible working.

In the end, the port won through. *But it was touch and go*, and fears were raised that the container-handling section might not re-open. Southampton had been put under pressure from its shipowning customers, mindful of competition from *other lines and ports and of the* needs of the cargo shippers.

Another key reason cited in the government study for the higher rates from the UK was the approach of freight users themselves. On the continent, there *seems* to be a much greater willingness to search *for* the best deal, whether among lines organised in conferences, which set rates and cargo allocations, or among rate-cutting outsiders.

Mr Zander McQuillan, chairman of the British Shippers' Council, noted that the report stressed the role of freight forwarders, who form a link between shippers and carriers, whether on sea, land or by air.

On the continent, forwarders handle about three-quarters of deep-sea trade. Thus, added Mr McQuillan, who is also the commercial services manager for Imperial Chemical Industries, "they are the main buyers of liner (scheduled cargo shipping) services. They compete against each other for the business of importers and exporters."

More important, he said in a recent speech, "these forwarders have the stature, professionalism and expertise to bargain effectively and independently with the shipping lines. Such conditions do not exist in the UK. Why is this?"

He put much of the blame on to shipping companies and conferences. The latter do not grant commissions to forwarders in the UK. In a blunt criticism of this attitude, he argued: "The logic for this refusal, when the carriers are actually enjoying higher freight *rates ex the UK* and are openly prepared to offer such discounts on the continent, is indefensible."

But UK exporters also lay themselves open to *criticism* for shipping goods predominantly FOB (free on board), at a sterling ex-works price, instead of CIF (carriage, insurance and freight) in local currencies.

More and more of Britain's *overseas competitors* are *quoting* a full CIF price and gaining a competitive edge. "The effect *on the economy is unbelievable*," said Mr Seymour Grann, managing director of Sea-Grann, a UK-based international trading company.

"By *selling* FOB, we're deliberately curtailing our transport and distribution services, not to mention banks and financial services," he said. "We're giving our overseas competitors an amazing opportunity to jump *in and quote prices with* door-to-door delivery included."

Clearly, he reckoned, foreign customers preferred to buy on a delivered door-to-door basis. "If I was a local businessman faced with quotes in *my local currency, including* carriage, insurance and freight from all round the world with just one *quote* from a UK company in pounds sterling, ex-works, I know which one I would choose."

According to Mr McQuillan, it is mainly a question of education and awareness. "For *progress* to be made, it requires that senior management recognises the problem and provide the necessary expertise and training, not only within the specialist transport field, but to its marketing and export selling arms as well."

The solution to some major problems lies outside the reach of companies, however. Lengthy negotiations, aimed at freeing the European transport and shipping industries from lingering national restrictions, have yet to bear substantial fruit.

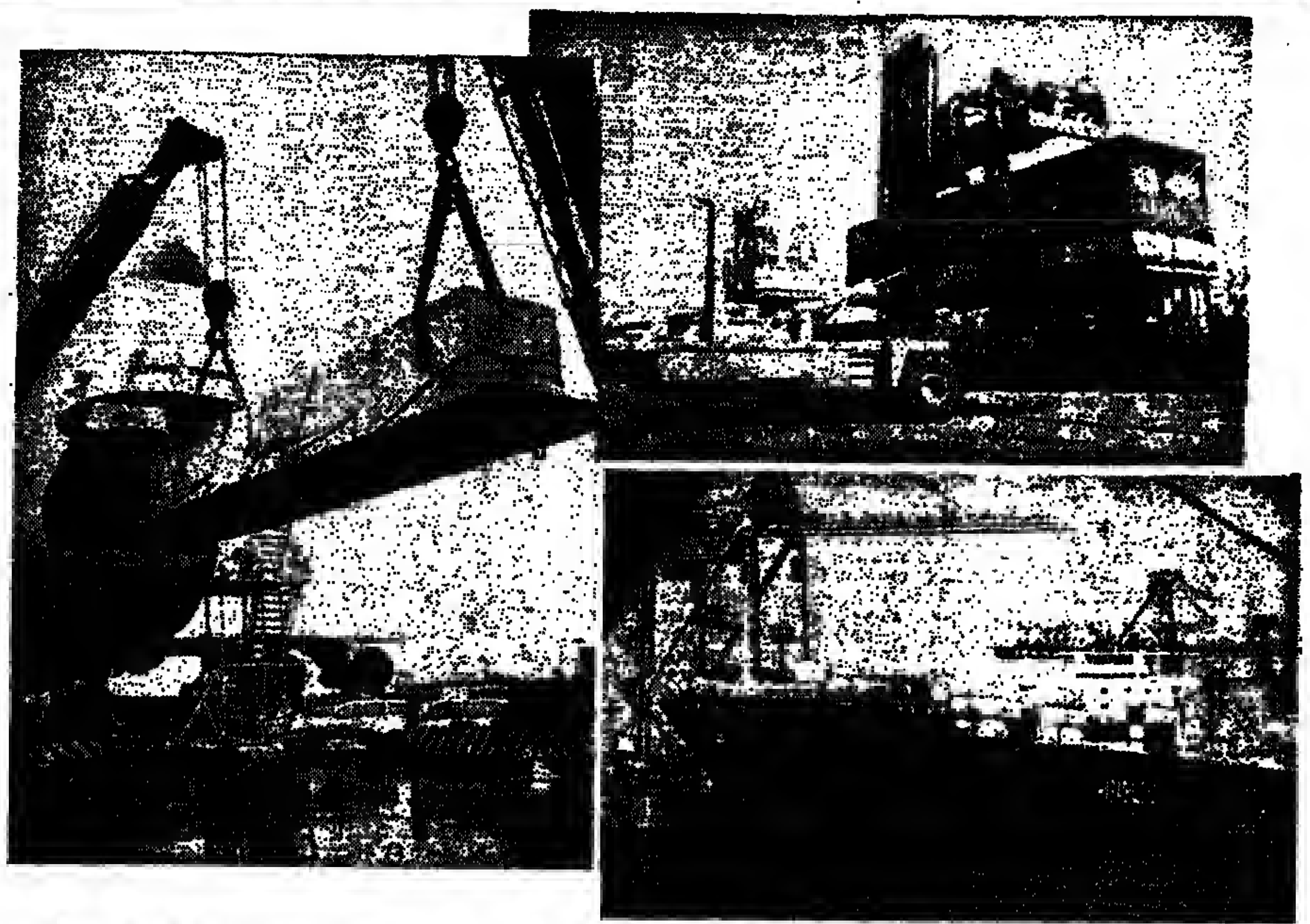
Several EEC members, notably the French in shipping and the West Germans in land transport, have regulations that make it hard for outside lines or hauliers to enter their internal markets.

"Germany is one of the most protectionistic countries, especially over its railways," *commented* Caroline Trewhitt, who is co-ordinator for air and surface transport of the Freight Transport Association in the UK.

The Channel Tunnel, due to open in 1993 but with a few more parliamentary and financing hurdles still to overcome, could bring about more co-operation within Europe's transport sector, especially on the railways.

But without an immediate road connection—vehicles will be carried on a rail shuttle—the freight industry is not too enthusiastic about the benefits of a fixed link. "There's no real need for a tunnel," added Miss Trewhitt.

Clearly, in such a multi-faceted industry as freight, there are no straight answers to many of the issues now being discussed. One thing is certain, however. As customers become more demanding, transport operators will have to become ever more streamlined in the services they provide.



Left: Loading a 40-tonne core for a hydro-electric plant into the hold of a Boeing 747-200 at London-Heathrow. Top: A road trailer is lifted by a Kalmar LMV fork lift truck with a piggy-back frame that has a capacity of 37 tonnes. Right: One of four Hapag-Lloyd container ships deployed on the North Atlantic service

By land

Door-to-door service a key selling point

WORLDWIDE GROWTH in the use of containers to move freight is encouraging the development of an increasing range of intermodal transport operations.

Intermodal, or combined, transport involves bringing together different types of freight transport — typically road and rail, but also sea-air, sea-road or road and air-road — to allow the international through-movement of goods.

With the now widespread availability of mainly 20 ft and 40 ft freight containers, in particular, a growing number of shippers and forwarders are looking to load their consignments in such a unit and book the full door-to-door movement. One intermodal tariff covers any combination of road, rail, sea and air modes.

Leading the field in terms of intermodal operations at present is North America, where vast land distances have created a market in which road and rail service operators have sought to integrate their activities both with each other, and in particular, with international shipping lines and airlines.

In the US, for example, many of the leading shipping lines, such as American President Lines, Sea-Land and United States Lines, have developed their own freight-train operations to move containers around the massive country, notably between the east and west coasts.

Full door-to-door services are now an essential selling point for shipping lines serving the highly competitive US market. The importance of full intermodal back-up was highlighted earlier this year when US company Lykes Bros Steamship inaugurated a new direct containership service between the US Gulf ports and the UK/North Continent.

Lykes' vice-president Atlantic division, Robert T. Martinez, said the shipping service would be complemented by a full range of intermodal equipment, including 20 and 40-foot containers, flat racks, open tops and refrigeration units.

"We will provide full intermodal point-to-point transportation, both in the US and Europe, including express train services between the US Pacific coast and the Gulf. We have a vast intermodal network which embraces truck, rail and water carriers. It is a complete system," he said.

Many of the shipping lines serving the US market are now, in fact, using the "double stack" system of rail-borne container movements. Instead of one container being carried on one rail wagon, two are carried, one on top of the other.

Although initially introduced by American President Lines, five or six years ago, this apparently simple innovation has only really caught on over the last couple of years, encouraged by estimates that double-stacking can reduce rail costs per unit by up to 40 per cent. Now it is reckoned that the number of containers moved in the US using double-stacking could top the 1m mark this year.

One of the most recent additions to the double-stacking brigade in the US has been Taiwan-based liner shipping operator Evergreen Marine Corporation which, in July, inaugurated its own double stack train service (DST) between Los Angeles and Chicago, using a combination of services provided by the Southern Pacific and Burlington Northern Railroads. First vessel to connect with the new rail service was the Ever Growth, which operates in the Pacific south-west/Japan/Taiwan/Hong Kong trade.

The Evergreen DST service leaves Los Angeles every Thursday, arriving in Chicago three days later. For destinations east of Chicago, containers are moved by truck or conventional rail services.

Initially, Evergreen plans to offer 150 x 40-ft container capacity, adjustable to 250 equivalent units. The service will be expanded as required. The company also anticipates extending the DST operation to other areas as it becomes feasible.

Under special arrangements with railway group CSX Corporation, Evergreen is utilising Chicago's Bedford Park facility where a container yard and container freight station have been established for the shipping line's exclusive use.

In addition to shipping lines' own rail-freight service developments in the US, a company called Olympic Transportation announced earlier this year that it intended to develop common-user double-stack container rail services, initially between Oakland and Chicago. This is designed to interest smaller lines who lack the traffic or resources to set up their own systems.

Intermodal movement of containers is also big business in Canada, where the freighting of containers and trailers, piggy-backed on rail flatcars, is said to be the fastest-growing sector of the railway industry. In 1985, Canada's two principal rail operators, CN Rail and CP Rail, carried some 900,000 TEUs (twenty-foot equivalent unit containers or trailers), around 13 per cent higher than the previous year.

Container trains are operated between Montreal and Toronto, with additional services connecting those centres with Chicago.

CN Rail operates a system which includes the use of a wheeled highway trailer. The longest is just over 44 feet, which allows the loading of two on an 89-foot flatcar. CP Rail prefers to use a container box, also just over 44 feet in length but without wheels, which is lifted from a wheeled chassis on to the rail wagon, plus normal containers.

Intermodal movement of containers has taken rather longer to catch on in Europe, but latest signs suggest that the concept is now making more progress. The Swiss-based company Intercontainer, for example, which organises the combined transport of containers and swop bodies throughout Europe, last year handled 805,000 TEUs, nearly 10 per cent more than in 1984. Containers are transferred between rail wagons and truck bodies for road delivery at some 550 terminals in Europe.

In addition to transport, Intercontainer provides supporting services such as transhipment, road collection and delivery, arrangement of container provision and intermediate storage. These are important features, because the potential weak link, both operationally and in cost terms, for any intermodal service is a point at which a container is transferred from one transport mode to another.

In the UK, one of the most obvious examples of the intermodal container concept in operation involves the London-based Freightliner organisation. The company uses scheduled train services to form the basic trunking system for moving UK domestic, European and deep-sea shipping containers between ports and major conurbations, backed up by road operations for local collections and deliveries.

An important feature of the Freightliner Europe door-to-door operation is the shipping link. At the end of last year, the company transferred that operation to the Felixstowe-Zeebrugge shortsea route. It now uses two containerships operated by Comar to maintain six sailings a week in each direction carrying UK/continent container traffic.

To boost European business further, Freightliner has been introducing 2.5-metre-wide 40-ft containers which, with their slightly greater than standard width, are said to provide up to 10 per cent more capacity per container, equivalent to two pallets.

On the deepsea front, Freightliner has an annual £11m contract with shipping lines OCL and ACT for the movement of Australasian and other container traffic into and out of the port of Southampton. Regular trains connect the Southampton terminal with Barking, Birmingham, Leeds, Liverpool, Manchester and Coatbridge.

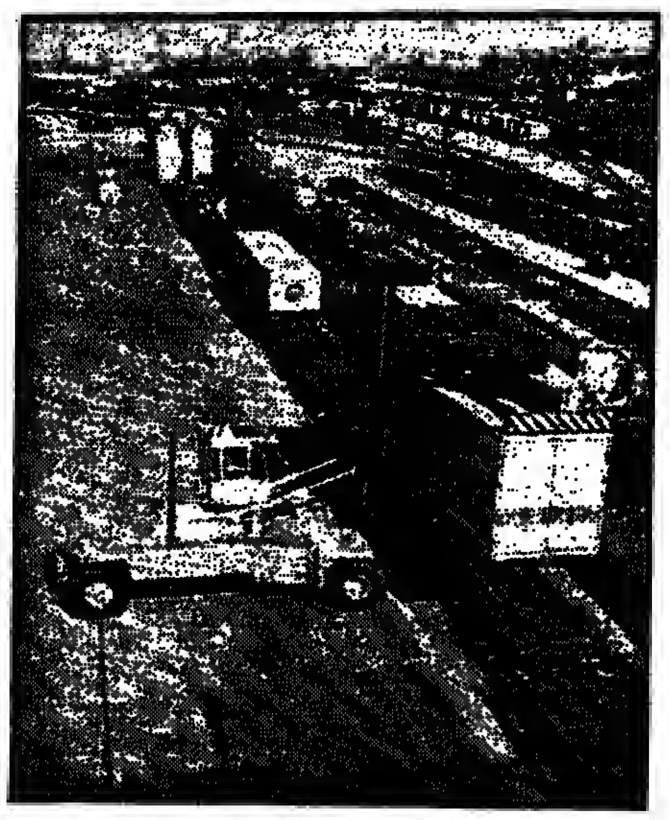
Many international airfreight operations are also now becoming multimodal, if not always truly intermodal. The freight is moved by a variety of modes, although not necessarily in the same container for the whole journey. There has, for example, been a lot of growth in sea-air services, notably between the Far East and Europe, where freight is containerised and moved by sea over the first sector of its journey, and then transhipped for onward movement by air. This offers a total transit time that is faster than an all-sea movement but cheaper than an all-air service.

On another tack, European airlines are increasingly using trucking services to feeder traffic into and out of their principal air gateways, often giving the trucks the actual flight numbers.

British Airways has this year taken that concept a stage further with the establishment of its own trucking hub at Maastricht in the southern Netherlands. Freight traffic originating on the continent or in Scandinavia and destined to travel to one of BA's longhaul flights out of London is now, increasingly, being trucked into the Maastricht hub. There it is consolidated into airfreight containers destined to connect with particular flights ex-London.

Regular trunk vehicles ferry the airfreight containers from Maastricht to London, normally Heathrow. It is planned to develop traffic in the other direction, using the same system to deliver continent-bound traffic arriving in London on BA flights.

Phillip Hastings



One of the latest generation of Kalmar LMV's heavy-duty, high capacity fork lift trucks handling a container at a terminal in Sweden

By sea

More shippers take to the land

WITH FREIGHT rates down in the basement, and unlikely to climb out for some time, shipping companies are mostly having a thin time. But for the cargo shippers, low rates mean that a fair chunk of their costs has disappeared.

It is generally reckoned that about a quarter of the transport cost of moving goods around the world is incurred on the sea leg. Increasingly, shipping companies have become masters of land as well as sea transport, providing a total service for the shipper.

Hence the term "intermodalism," which has become common in the industry and means simply the moving of containers—the big steel boxes in which most general cargo is carried these days—on both vessels and rail or road.

Shipping companies like Sea-Land, the US shipping company which pioneered containerisation 30 years ago and whose name emphasises the total door-to-door transport concept, have invested heavily in rail equipment.

American President Companies, which concentrates on the Pacific, has also been building up its rail side, as well as providing a range of containers that goes beyond the usual 20- and 40-feet sizes to include both 45- and 48-feet boxes.

Both of these companies have seen their earnings plummet recently as a result of the severe over-capacity in container shipping. This has depressed freight rates, especially on the Pacific, which is the busiest route in the world.

Most prominent among the companies which have aggressively expanded their fleets in the past few years are Evergreen of Taiwan, and United States Lines. The latter is now in financial difficulty after its spending spree, and has had to ask its banks for more time to sort out its problems.

Evergreen, on the other hand, has been reporting profits, though its financial information is so skimpy that many rival companies regard the figures with scepticism. Both lines provide round-the-world services, Evergreen in both directions, US Lines eastbound only.

With shipping in such a fiercely competitive state, and with a number of lines fighting for survival, the range of services offered has increased considerably. Since the door-to-door aspect has become so important, the ship is no longer the main part of the business.

"In the last 10 years, there's been a tremendous change in the structure of the shipping industry," says Mr Robert Baines, a director of Antrak Group, which owns the OT Africa Line. "The hardware is no longer the emotional issue it was. Now, the ship is just a link in the chain."

OT Africa, which operates between Europe and West Africa, does not own any ships. It meets its needs through the charter market. Mr Peter Ritchie, a fellow Antrak director, says: "It used to be crucial to exporters to have a name and a line. Now, it's the service they're keen on and you can't let them down."

The group has set up Crosstrades as a subsidiary to provide cargo shippers with a worldwide network of services which go far beyond the shipping routes that OT Africa operates on. Other lines have moved in the same direction.

Thus, as Crosstrades says in its promotional blurb, it can arrange door-to-door delivery of containers "whatever the cargo might be, whether it is textiles from Taiwan to Togo, or machinery from Michigan to Monrovia."

Everything, including documentation, is taken care of. Overseas Containers Ltd (OCL), the big UK company now fully owned by Peninsular and Oriental Steam Navigation (P & O), is also developing increasingly sophisticated additions to its regular services.

OCL operates between Europe and the Far East, but has just begun a North Atlantic service in partnership with Trans Freight Line. It has spent heavily on computers in order to make its services as flexible and varied as possible.

"We have to be prepared to carry anybody's cargo to anywhere in the world," says Mr Anthony Butterwick, managing director. "We've always been an advocate of through-transport."

With their growing range of services, OCL and others can act virtually as a separate cargo shipping and transport department for customers. One US company has expressed an interest in sending containers with OCL and then deciding on their eventual destinations while they are still at sea.

OCL is also working out a scheme with a UK importer which would use the shipping company's computer system to arrange delivery of goods, from a number of suppliers in Hong Kong, to one central point where they would be put into a container and then sent on their way.

In the US, American President, which also makes extensive use of computers, can arrange for high-fashion clothes to be loaded on to containers fully pressed, price-tagged and on racks. They are then sent by ship and on APC's railcars, on which boxes can be stacked two-high, straight to the customer in the US.

For services like these, lines can charge premium rates. And for many shippers, speed and reliability are as important as actual rate levels. Not all shippers want rock-bottom rates. They would rather have stability.

Mr Zander McQuillan, commercial services manager at Imperial Chemical Industries and this year's chairman of the British Shippers' Council, believes in allowing shipowners to operate at profitable rates.

"I am not an advocate of cheap freight rates — I have always preferred to sell my own products at profitable prices and would deny this to my suppliers," he said in a speech this summer.

The main thrust of his comments was directed against the situation in which British shippers are often charged higher freight rates than their European competitors. The situation was highlighted in a report produced in March by the Department of Transport.

It concluded that higher rates from the UK in liner (scheduled service) shipping put UK exporters at a disadvantage. The gap in rates is caused by higher UK port charges, reflecting both lack of the heavy subsidies enjoyed on the Continent and lower efficiency, and the more competitive liner market in the rest of Europe.

Thus, said the report, "the UK is made a relatively expensive country from which to export — or to provide shipping services — to deep-sea markets."

It is generally agreed within the UK freight industry that transport is too often accorded a low priority ranking in companies, though not at those of the size of ICI which exports about £1bn worth of goods to deep-sea markets every year.

This means that not all exporters search hard enough for the best deal. "For too long," said Mr McQuillan, "distribution and shipping have been seen as necessary evils." Mr Butterwick, of OCL, agrees, believing that distribution should be a matter for close attention at board room level.

Even so, shippers feel they are labouring under a strong disadvantage in costs. Said Mr McQuillan: "These rate discrepancies exist because individual shipping lines charge UK shippers more to ship a ton of steel, chemicals, toothpaste or detergent to Timbuctoo than they charge the European competitors."

Andrew Fisher

Sea-Land Voyager at the dockside in Rotterdam, the busiest port on the company's worldwide network

By air

Cargo flights are close to new peaks

AIRLINES THROUGHOUT the world are paying much more attention to the revenue-generating possibilities of cargo than they did before the recession of the early 1980s. As a result, tha air freight industry is likely to expand considerably in the years immediately ahead.

The overall volume of air cargo movement throughout the world is et a very high level. Statistics issued by the International Civil Aviation Organisation show that, having remained static at the turn of the decade et around 11m freight-tonnes carried annually (the period of the airline recession), air freight begen to recover in 1982, to about 11.6m freight-tonnes. Thereafter it rose to reach a new high level of 13.3m freight-tonnes in 1984.

It slipped back a little last year, to 13.2m freight-tonnes, dua to a weakening of some countries' economies.

Even so, et around that level, tha volume of air freight carried still stands at its highest-ever, and it only needs a small improvement in overall world economic activity to see it rise to new peaks.

The fact that earlier forecasts for the current year suggested that it should be e period of slower economic growth has created a challenge for some major airlines—not least British Airways—and the eventual outcome for 1986 could be a significant gain over 1985.

Many years ago, cargo was described, perhaps euphorically, as "the sleeping giant" of the world air transport industry. It still has a considerable way to go before revenues from cargo match, let alone overtake, those from passengers; but there is now little doubt that many airlines have recognised the long-term potential of cargo traffic as a contributor to revenues and ultimate profits, and are taking steps to maximise their returns in this field.

Cargo divisions have been established in many major world airlines where either none existed before, or where freight was relegated to the backwoods of operational thinking. Major air cargo centres are now being established et many major airports, and separate provision is frequantly made for cargo facilities in the designs of new airports worldwide, even where freight at present is only e small percentage of total civil aviation activity.

At government levels, more thought is being given to easing the passage of cargo through airports. Yet it is widely accepted in tha industry that much more could and should be dona; not only in many countries of the developing world, but also in soma of the more advanced ones that pride themselves on the level of sophistication of their air transport infrastructures, including some in western Europe.

These improvements includc not only the provision of major new cargo centres, complete with up-to-date mechanical and electronic handling of consignments and their associeted documents, but also a revision of ettitudes on the part of some government customs and excise departments, although it is openly admitted in the air transport industry that the latter has a long way to go in some countries.

Nevertheless, the overall improvement in the general climate of the air cargo business, despite the need for further advances, is already generating some major developments.

Competition among western European airports to bandla the tonnages already moving and to encourage more is becoming fiercer. In the UK, BAA plc, formerly the British Airports Authority, which handles cargo at seven airports —Heethrow, Gatwick, Stansted, Prestwick, Glasgow, Edinburgh and Aberdeen — some time ago set up a London Air Cargo Promotion Group (Task Force).

This group is representative botb of the BAA itself and the UK air cargo industry, and is designed to re-establisb London as the principal European air-cargo gateway to the rest of the world. As a result of the group's efforts, and despite fierce competition from other European cities, London overbauled Paris in 1985-86 to take second place in the European league (after Frankfurt)— the first significant change in the air-cargo European rankings since 1981-82.

Since the Task Force began its work with its campaign in the US in 1983, the "Gateway London" message has been carried to many parts of the world, and in May this year tha sales drive moved to Tokyo and Osaka.

BAA plc says that the opportunities for London to recapture lost traffic, and to gain new business, remain good. "Bnt industry-wide consultation and co-operation (through the Task Force) must be supported and strengthened if London is to regain its rightful position as premier European cargo gateway to the world," it says.

One feature of European air cargo activities that bas been gaining ground is the provision of additional surface trucking facilities to enable cargoes for long-distance destinations to be carried by road to the nearest airport for onward shipment. A feature of thie development has been the provision this year by British Airways for example, of a new "bub" based at Maastricht, in Holland, wbere cargoes can be concentrated for onward trucking to London, where they pick up the long-distance flights, and vice versa.

A major reason for this operation is that many short-haul European flights are now operated with smaller aircraft that do not have the capacious belly-holds of the wide-bodied eircraft, and so cannot carry the larger loads that often are involved in air freighting. The trucking operation solves this problem, the surface segment of the journey adding comparatively little to the overall transit time to ultimate destination, while costs are kept low.

On long-distance flights, the trend towards wide-bodied aircraft has increased in recent years, and this in turn bas led to an increased use of containers for freight of all kinds, especially of bulky loads.

The multi-modal flexibility of such containars ensurea that they can be interchanged between surface and air transport more easily than hitherto—although, bere also, it is stressed in the industry that much more researcb needs to be undertaken.

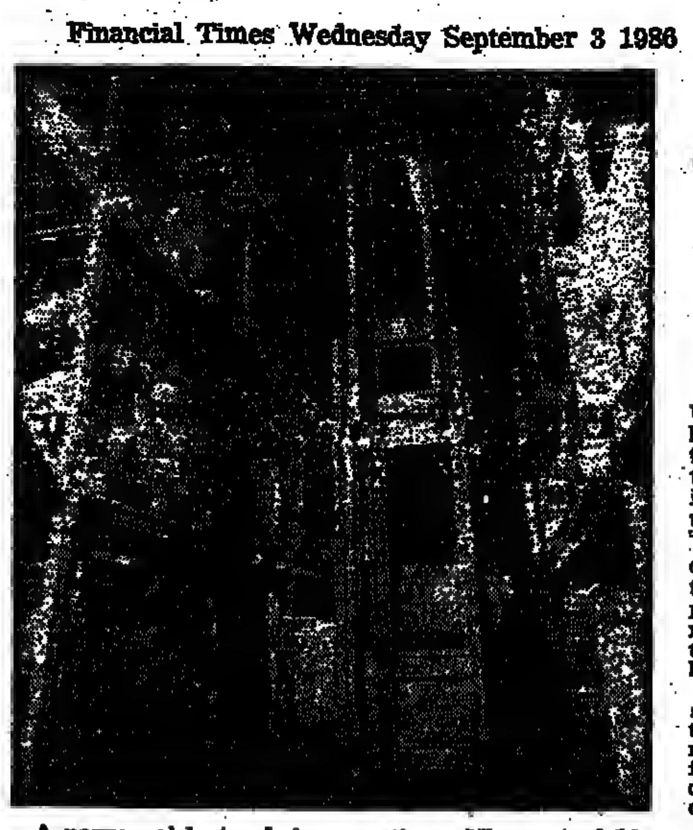
One problem that bas assumed significant proportions is that of the security of the air freigbt system—not so much from the safety of the cargoes themselves while in transit, but of the possible use of air cargo as a means of sabotage, a vehicle for the carriage of explosives or other devices designed to damage or destroy the aircraft involved.

Whila it is feasible, np to a point, to examine air freight for the likelihood of some sabotaga content, it is impossible, at least so far, to examine everything; and other techniques have had to be devised—including deliberately delaying suspect cargoes.

Terrorism itself continues to be a menace to the entire world air transport industry, and the problem of ensuring security in air cargo is bound to cause delays, difficulties and possibly also increased costs. These, it has to be accepted, are not easy problems to resolve, and could be with the air cargo side of the industry for a long time to come.

Michael Donne

Express parcels and urgent documents are a fast-growing sector of the air cargo business. Dutch-owned XP Express Parcel Systems operates nightly services to Europe from Luton and Birmingham



A narrow-aisle truck in operation. Nine out of 10 warehouse stacking installations now use narrow-aisle systems

Routes

Earnings falter on the Pacific

BETWEEN the vigorous export-minded economies of Asia, with their deeply ingrained work ethic, and the import-hungry North American continent lies the busiest container shipping route in the world.

The surge of exports from such countries as Japan, South Korea, Hong Kong and Taiwan has kept the Pacific on top of the container route league for several years.

"The transpacific market has more operators, more services, more vessels and significantly greater total capacity working on it than any other major deep-sea trade," said Drewry Shipping Consultants of the UK in a recent study.

Thus, while growth in cargo volumes has been rapid, lines have not recently been able to reap the rewards in the form of rising profits. On the contrary, the pressure of competition has put freight rates under such pressure that earnings have fallen sharply or disappeared.

Also of major importance in freight shipping—some 90 per cent of goods are moved by sea rather than air—are the North Atlantic, where European exports to America provide most of the business; and the route between Europe and the Far East, with the Middle East a currently depressed market in between.

On all of these major east-west routes, the balance of competition has been severely upset in the past few years by the start of the round-the-world services started by Evergreen, of Taiwan, and United States Lines.

Both invested more than $1bn in new ships and equipment, and have thus injected a huge extra dose of capacity on to the world container market. The delivery of the Evergreen and US Lines vessels, commented Drewry, "jeopardises the operations of most deep-sea liner services to some extent and threatens some with extinction."

As a result, the noises being made by the big container operators have taken on a distinctly dejected tone, even though cargoes have been rising, especially on the Pacific. Not for several years do most lines expect the enlarged capacity to be matched by volumes of business.

In the first half of this decade, the container shipping fleet grew at around 13 per cent a year, outpacing the rise in traffic. Drewry reckoned that over-tonnaging was now some 30 per cent worldwide. Gloomily, it said: "The volume of general cargo carried by sea is unlikely to improve much in the next two to three years. Nor is the comparatively young fleet likely to be reduced significantly by scrapping."

What worries many operators in the industry is the fact that, if some lines do go under financially, their ships will still be there to be snapped up by somebody else, and actual capacity will thus not be reduced at all.

On the Pacific, some lines have pulled out altogether. Both Hapag-Lloyd of West Germany and Lykes Lines of the US decided to call it a day, because of the low levels of freight rates. On the Atlantic, where conditions had settled down after rough competitive times in the early 1980s, lines are again finding the going choppy.

Sea-Land of the US, for instance, which has services on both oceans, recently reported a first-half loss, though cargo volumes had moved ahead by nearly 8 per cent. So, too, did American President Companies on its Pacific services.

On the Europe-Far East route, the picture is more mixed. "All in all, in the present appallingly depressed market," says Mr Anthony Butterwick, managing director of Overseas Containers Ltd (OCL), "we are keeping our head and shoulders above the waves."

The UK company operates a variety of services between Europe, the Middle East, the Far East and Australasia. Volumes between Europe and Asia have held up well in both directions, he added. And, while rates remain under pressure, "they have held up better than we thought six months ago."

He added: "I think our competitors are in such desperate straits that they cannot cut rates any more." OCL made record profits last year, but certainly does not expect to match these in 1986.

The main problem is over-capacity, but performance on some routes has been affected by non-shipping developments. The poor state of the Australian economy has hurt cargo volumes from the country, while South Africa is a highly uncertain market at present. Cargoes to the Gulf have also suffered as lower oil prices and the Iran-Iraq war have depressed Middle Eastern economies.

In the African trades, experiences have been mixed. OCL's Mr Butterwick said trade to East Africa was making a "modest contribution" to profits. But other lines have found that business with West Africa has been hit by the economic problems of Nigeria, the oil-producing country which dominates the regional economy.

On several routes, notably the Atlantic in recent months, lines have joined together to rationalise their services. Thus Atlantic Container Lines (ACL), a consortium owned by UK, Swedish, French and Dutch companies, has teamed up with Hapag-Lloyd to share container capacity.

Mr Bengt Koch, president of ACL, said the aim was to rationalise schedules, and thus combat over-capacity, to burn less fuel and to operate as one unit when dealing with stevedores and other suppliers of services.

As on the Pacific, the jump in shipping capacity has hit rates badly. "We seem to get a number of meagre years and then one bonanza year," said Mr Koch ruefully. "I doubt if there will be any rate improvement soon, though there should be a halt in the decline."

ACL's vessels carry a mixture of containers, cars for export from Europe, and trailers. Although its five new ships were only built about two years ago, they have performed well enough for ACL to decide to lengthen them to increase their carrying capacity.

Mr Koch said that exports from Europe to the US and Canada had been strong in the past two or so years, and had held up quite well recently, despite the dollar's decline. Overcapacity was a problem on the eastbound route to Europe rather than into North America.

OCL has just begun to dip its toes into the Atlantic, in partnership with Trans Freight Lines, which has just agreed on a weekly service with Nedlloyd, the big Dutch shipping group. Such tie-ups in the industry among competitors reflect the growing pressures on lines.

Over-capacity and the more complex demands of shippers have highlighted the need for flexibility of operations, acute concentration on control of costs, and sophisticated methods of managing movements of full and empty containers so as to extract the optimum value from route networks.

It is all a far cry from the old pre-container days, which may have been more romantic but were often also less efficient. With ships now turned round in port in hours rather than days, and the sea voyage regarded as merely a link in the overall transport chain, the ubiquitous steel box has made taxing new demands on shipowners, port managements, dockers and cargo shippers.

Andrew Fisher

Warehousing

Contracting out and optimising the cube

UNTIL RECENTLY, warehousing and storage costs tended to be written off by manufacturers, suppliers, including importers, and even retailers, as unavoidable overheads.

The hidden nature of those costs, and the practical difficulties involved in determining possible areas for economies, made the subject a rare one on the agendas of most company board meetings.

However, the recession and the subsequent increased competition, in both domestic and international markets, over the past few years has forced companies of all kinds to examine every cost area with a view to savings.

Included in that review have been international freighting and distribution activities, areas where warehousing and storage form an important element. The answer, for more and more companies, has been to contract their general distribution operations to outside specialists. Increasingly, the same philosophy is being adopted in respect of warehousing and storage.

"I would think that now just about everyone seriously asks the question of whether they should contract out their storage requirements or not, something which many would not even have thought about doing a few years ago," commented Alan Wilson, a director of CAPE Systems & Consulting Services and a senior consultant with distribution consultancy Davies & Robson.

Companies whose stock-in-trade is distribution and/or storage, not surprisingly, have to take a keen interest in making cost savings on such operations wherever possible. For them, warehousing is the equivalent of production, a factor which has resulted in increasingly in warehouse efficiency becoming a science in its own right. At the same time, manufacturers/exporters, importers and retailers still operating their own warehouses have also taken a much closer interest in that aspect of their business.

"In the past—and there are plenty of companies who still do it—it was commonplace to sell your business on the volume or value of stock held. Now, the aim is to keep stocks to an absolute minimum whilst attempting to provide a service better than that achieved before," said Colin Rabjohn, warehouse systems manager for National Carriers Contract Services.

As far as service was concerned, he continued, the customers was interested in a number of main features:

Cycle time—the length of time between ordering and receipt;

Completeness—availability of the whole range of products;

Reliability—confidence in the service provided, particularly guaranteed delivery times;

Suitability—delivering what the customer demanded, for example in terms of quality.

If the retail outlet could be provided with a reliable service with short cycle times and high availability of stock delivered in suitable quantities, then minimum back-up stock needed to be held at the stores, reducing money tied up and releasing floor area for sales purposes.

Electronic point of sale and other computerised information flow systems have, in fact, now developed to the point where in domestic distribution, for example, some companies have been able to refine their store servicing systems to allow deliveries of small quantities of stock to top up shelves, rather than full pallet or carton loads, and still maintain full stock availability until the next delivery. In addition to the benefits of low stock, such systems reduce the workload of store staff and ease the problems of waste disposal.

Reduction in inventory at that sort of level demands a high level of confidence in suppliers, and such systems will always involve establishing a balance between "just in time" and "just in case," so as to maintain the correct level of availability.

"Clearly, a high confidence in suppliers leads one to question the need for a warehouse at all, and ask whether a transhipment/sortation centre with no stock at all would suit the operation better," said Mr Rabjohn.

The whole business of warehousing and distribution basically involves making trade-offs between storage/inventory considerations and the need to maintain high service levels. It is no use having highly cost-efficient dense storage in a warehouse if such a set-up causes long delays in order picking while the right products are found and prepared for despatch.

Elaborating on that point, Mr Wilson said various factors had to be considered when planning out such activities. First, there was the question of the storage cube of the unit load involved. That meant getting the maximum number of product items into the unit load being designed, i.e. the packaging, container or pallet.

Having optimised the cube, the next objective was to claw back as much of the warehouse space as possible for actual storage, without inhibiting the movement of goods through the building. The density of storage had to be weighed against the efficiency of movement.

The need to get that equation right has been paramount in some of the recent trends in warehousing operations. Although computerised systems of one sort or another have tended to hit the headlines, some of the innovations are far more basic.

There is, for example, increasing interest in the idea of using warehouse trucks which are specifically designed to carry two pallets side by side (some operators have, for years, often loaded pallets two-high on a standard truck, but only for certain products).

Again, though, a compromise has to be reached. Using two-pallet trucks increases the efficiency of goods movement, but creates a need for wider aisles between storage racks to allow two such vehicles to pass each other. One solution to that potential problem is to install mobile storage racking which can be opened up to allow trucks to move down the aisles.

"Mobile racking can go as high as standard racking, up to seven pallets high. The drawback is one of costs, which work out at around £70 per pallet position as against £16 for conventional pallet racking, although you only need about two-thirds of the building space," said Mr Wilson.

Another development gathering momentum is the use of pallet flow storage. Such a system basically involves the installation of a roller-bed mounted on racking frames, usually on a 4 degrees slope, which automatically feeds pallets down to a vehicle loading point. It is best suited to handling fast-moving product lines. Costs are put at £100-£130 per pallet position.

Currently, probably nine out of 10 warehouse stacking installations use narrow-aisle racking systems, where the aisles are reduced from 8 ft 6 ins to 5 ft 6 ins to create an additional 3 ft of storage space. These are serviced by specially-designed narrow aisle trucks. Normally, such units can stack pallets higher than more conventional reach trucks, although often needing to use a guide rail.

Alan Wilson: "Just about everyone asks whether they should contract out their storage requirements."

More recently, interest has been growing in a hybrid piece of equipment, an over-reach truck, which can allow greater density of storage even with an 8 ft 6 in aisle. Costing £3,500-£5,000, over-reach equipment allows a truck to do just that, reaching over one pallet to collect/deliver another unit positioned immediately behind it on the racking.

Automation for warehousing operations, whether for particular tasks or whole systems, is now widely available; but, according to consultants involved in the distribution field, the UK still lags behind many competitor nations in that respect.

Handling automation has taken off within manufacturing industries, where automated guided vehicles (AGVs) and robotics are now fairly common. The spin-off for warehousing include robotic palletising, some limited order picking systems, AGVs which do not require guide paths, and riderless forklift trucks.

Phillip Hastings

Forwarders

Middle-men face new challenges

TRADITIONALLY the middle men of the freight transport industry, forwarders are coming under increasing pressure from a variety of sources in a fast-changing market.

The basic role of the forwarder over the years has been to form the link between shipper and freight transport service companies for the international movement of goods by surface and air. Allied to that has been the important function of preparing and processing documents.

Over the past few years, however, forwarders have found these roles increasingly challenged by new competitors such as the emerging door-to-door service companies and their own customers.

In the UK, for example, where forwarders still generally lack the status and financial clout of their continental counterparts, there has been a marked trend for more exporters to undertake their own forwarding or hand it over to the carriers.

A major study of the UK market, published by Containerisation International Research a couple of years ago, claimed that large exporters were looking to move more forwarding work from forwarders to carriers, while medium-sized companies were tending to increase their own in-house forwarding. Only smaller firms, said the study, which were unlikely to have a shipping department, could be expected to prove a stable market for forwarders.

Factors contributing to such trends include the generally greater ease of exporting, with the now widespread use of container transportation which allows goods to be packed in one box and moved all the way to the final consignee.

Carriers have, in many cases, broadened the scope of their services to include forwarding operations, although this has been more apparent on the surface side than for airfreight. At the same time, the advance of modern technology, particularly computerised systems, is making it easier for shippers to communicate directly with carriers and process their own documentation.

Adding to those problems, certainly for UK forwarders, has been the fragmented nature of the industry and a rather down-market image among both its customers and the transport service operators.

In a bid to improve the image, the UK's Institute of Freight Forwarders — which claims that its members control 90 per cent of airfreight traffic and 60-70 per cent of surface freight movements in the country—has in the past couple of years developed a registration scheme. The stringent entry conditions are designed to ensure that registered members are professionally competent, ethical and have a degree of financial credibility.

Writing in a recent issue of the Institute's monthly journal *Freight Forwarding*, prominent IFF council member Jim White claimed that the entrepreneurial spirit of the forwarding industry was alive and well. But work, he said, remained to be done to instil in UK shippers the confidence to entrust forwarders with the handling of their export cargoes. He hoped that the Institute was now starting to achieve that.

"It is only by increasing market-share that the key bargaining role of the forwarder can be utilised to the full, and the benefits felt by the smaller shipper who has neither the time nor the expertise to achieve these for himself," said Mr White, who was commenting in the context of a government report on liner shipping and freight rates.

The largest percentage of general cargo of interest to freight forwarders, he continued, moved in containers, a market which divided into three broad categories.

First were the large-volume FCL (full container load) shippers, which tended to deal directly with the carriers. The potential for forwarders was generally limited to geographical areas, such as central Africa, where the shipper might make use of a forwarder's specialist expertise.

Second were the small-to-medium volume FCL shippers. That was a market where forwarders and carriers competed directly for the shipper's business. The success, or otherwise, of the forwarder depended largely on his ability to buy cargo space from the carriers and offer the shipper a satisfactory freight rate while still maintaining a margin for his own company.

The third category of shippers were those with LCL (less than container load) shipments. They formed a natural market for forwarders, because they did not have the traffic volume and negotiating clout to get the best freight rates from the carriers.

However, while the traditional "middle man" role remains a central feature of most forwarders' activities, many are increasingly setting up more specialist operations where they can make use of their particular skills and resources to offer shippers an attractive product.

There has, for instance, in recent years, been considerable growth in forwarder NVOC (non vessel owning or operating carrier) services. Here the forwarder, in effect, acts as the transport principal, putting together a package of transport links which are then sold under the company's own product name. A typical example might be the Europe-South America market, where the forwarder uses capacity on one shipping line between Europe and the United States, and then arranges transhipment in the US for onward movement, via another line, to the relevant South American country.

Other forwarders are looking to develop more of a general distribution role. Earlier this year, for example, Netherlands-based forwarding organisation Damco International expanded operations at its East London warehouse terminal to offer stockholding facilities. Services include storage, stock-selection to customers' order, packing, palletisation, shrinkwrapping and nationwide distribution, including retail deliveries.

"This means simply that our clients need only use one organisation to handle products from manufacturer to retailer. It gives added value to our freight operation," commented a spokesman for Damco.

"We will not lose sight of the fact that we are basically a forwarding company, but we see stockholding activities becoming increasingly important. More and more people are coming to the conclusion that it is too expensive to operate their own warehousing and distribution, and are looking for someone to do it for them."

Another area of development for some of the larger international forwarders involves so-called express, door-to-door services. Forwarders, like the carriers, have to a large extent been caught flat-footed by the rapid growth of door-to-door operations run by a new generation of transport companies such as TNT, Federal Express and DHL.

One or two forwarders, notably Emery Worldwide of the US, quickly latched on to the new concept and have kept pace with their innovative competitors. But it is really only in the last year or so that more forwarders have begun to fight back.

"It is, perhaps, interesting to note that a number of the courier companies, for example DHL and TNT, are becoming forwarders, in the sense that they are getting into the hard cargo market. But forwarders are generally being slow to go the other way," commented Geoff Bridges, general manager (cargo) for British Airways, which is currently involved in setting up a number of joint venture operations in the express / door-to-door freight market.

Of the other forwarders that have tried to get into the express market, two that have made most progress this year are Pandair International, of the Netherlands, and Burlington Northern Air Freight, of the US. The former is developing a service called Pandapak which, by the end of this year, should be offering worldwide door-to-door movement of virtually any size of freight at an all-inclusive rate. The latter is expanding the scope of its BAXI (Burlington Air Express International) express packages division to cater for the movement of larger shipments between markets in Europe, the US and Far East.

To meet another growing challenge to their traditional business—the spread of computerised systems, which make it easier for shippers to undertake their own documentation work—leading forwarders are investing heavily in sophisticated document-processing and cargo-tracking operations.

Phillip Hastings

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Richard Gabriel: worked out what customers really wanted

From motorbike to UK parcels network

Alice Rawsthorn explains Interlink's route into a cutthroat market

LITTLE MORE than seven years ago Richard Gabriel was a motorcycle messenger, wending his way around the grime and fumes of central London. Next month he will become a multi-millionaire when his compeny, Interlink, goes public on the Unlisted Securities Market.

Interlink is now one of the largest overnight parcel delivery services in Britain. It operates through a network of more than 100 regional depots and handles up to 10,000 parcels a night at its Midlands sorting centre. The company has been in existence for just five years, but should be capitalised at more than £25m when it joins the USM.

The parcel delivery sector is intensely competitive, with too many competitors exerting extreme pressure on prices as they tussle for market share. Many of the established coo-tenders have watched their profits shrink in recent years, yet Interlink has echieved its growth by the textbook tactics of spotting a gap in the market and working out the most cost effective way of filling it.

"The market has been tough, very tough for the last three or four years," says Richard Hannah, transport analyst at stockbrokers Phillips and Drew. "There are just too many companies chasing too little business. Prices have plummeted and the established operators like National Freight end TDG have found it very difficult to compete.

"In many ways life has been much easier for the new entrants, like TNT and Interlink, which have started from scratch and tailored their operations to suit a competitive marketplace. The established companies have had to cut costs and adapt their operations to cope with the changes that have taken place."

Perhaps perversely Interlink has succeded because, rather than in spite, of the problems in the parcel delivery industry. "When I first considered moving into the market it was clear that it was overcrowded, but equally clear that none of the established companies were doing their jobs properly," says Gabriel.

"My first priority was to identify the weaknesses of the existing operations; my second to work out what customers would really want; and my third to find a way of providing that service."

The weaknesses of the existing services, as Gabriel saw them, ranged from high overheads, because of the cost of maintaining a national network, and poor cost control, in that lorries would set off in one direction loaded with parcels only to return empty, to inexplicably complicated tariff structures.

"What customers really want from an overnight delivery service is low cost and efficiency," he says. "The market is so cut-throat that if you do not deliver cheaply and on time yon are finished. There is no customor loyalty. If you are not cost competitive or if e parcel goes astray no one will give yon a second chance—they will turn straight to one of your competitors."

Gabriel's main problem was that for Interlink to succeed he needed to establish a national network from the very beginning. Given that he bad very little capital—since giving op his job as e motorcycle messenger he had run a small databag collection service—the cost of setting up a national network was prohibitively high.

Franchising was the solution. The Interlink system works through a network of depots operated by franchisees who collect and deliver parcels in their region, drum up local contracts, and generally receive a 20 per cent share of each transaction. Franchisees are sought by advertising in local newspapers and their own profitability depends essentially on their operational efficiency and the amount of business they handle.

The franchisees collect parcels from their region in vans and take them to their depots. An Interlink lorry, based in the region, arrives in the evening to pick up the parcels and ferry them to the national sorting centre at Hartlebury, near Worcester. The parcels are sorted overnight and taken to the regional depots closest to their destinations in the early morning. Thus the Interlink lorries travel to the centre from the depot with one load of parcels and return to the depots with another. The depot managers then deliver the parcels, by van, by noon.

Each stage of the process is monitored by the Interlink central computer, which is linked to terminals at the regional depots and stores information on each parcel through bar coding.

"Because we set up from scratch we have been able to develop our computer system as the service has grown," says Gabriel. "The introdnction of bar coding two months ago was the final stage. Now we can expect 99.8 per cent efficiency."

All the administrative work, invoicing, debt collection, national marketing and training is handled from Interlink's headquarters in Bristol. "This leaves the franchisees free to concentrate on collection and delivery," says Gabriel. "By paying them commission, rather than salary, we have given them a stake in the success of the business. This gives them an incentive to provids a really efficient service and to find local orders. And the franchise system keeps costs to a minimum."

As Interlink has grown larger—the company now employs 200 people directly and 250 as franchisees—it has inevitably become more difficult to exert control over every aspect of the operation and to ensure uniform standards of service.

The inherent incentives of e commission system of payment for franchisees belp to overcome this problem. The concept of generating incentives for employees will be extended after the flotation when both employees and franchisees will be given preferential rights to apply for shares. Interlink has received permission from the Stock Exchange to include its franchisees within this, and is the first company to do so.

While the network has grown Gabriel has been kean to keep lines of communication as short and the structure as simple as possible. All strategic decisions are taken centrally by a small senior management team and Gabriel is still actively involved in every aspect of the business.

With the combination of new technology and a low cost base Interlink has almost echieved its aim of being the cheapest and fastest overnight parcels service. In a receot survey by the magazine Commercial Motor it was judged to be the third fastest service and the cheapest.

"It is companies like Interlink which have forced down prices in the market by undercutting the established compenies," says Ken McCall, general manager of TNT's express parcels service. "Interlink has simply made e very competitive situation even worse."

Although its start-up costs were relatively low Interlink operated at a loss — offset by payments for depot franchises—for its first two years. Iodeed the early days of the company were far from unproblematic. In autumn 1982 a fire swept through the Bristol bead office destroying computer equipment and accounting records. One icy winter diesel froze, making deliveries almost impossible. (One lorry was trapped in a snowdrift. Luckily the driver, who had been trained as a commando, managed to make snow shoes from the twigs of a nearby tree and made his way to the nearest telepbone.)

In late 1983 Interlink finally hroke into profit. In the 1983-84 financial year it produced pre-tax profits of £114,000 on turnover of £4.5m; in 1984-85 £900,000 on £7.8m; and in 1985-86 it expects to produce £2.5m on £13m or £14m.

Interlink estimates its own share of the overnight parcels market at 5 per cent and the market leader, TNT's at 25 per cent. TNT is also a relative newcomer to the parcels market, but had the financial weight of its Australian bolding company Thomas Nationwide Transport—in which Rupert Murdoch, who heads News International, has a stake—behind it.

Over the years Interlink has received a series of takeover approaches, generally from competitor companies, but Gabriel has opted to remain independent. The company will join the USM in early October, the issue being handled by stockbrokers, Laurence Prust. The flotation will raise between £5m and £6m, some £2m of whicb will be ploughed back into the business to purchase e new headquarters in Bristol. The rest will go to the Gabriel family which owns 94 per cent of the shares.

After the flotation Interlink will turn its attention overseas. Gabriel envisages replicating the operation firstly in individual European countries—the board is now considering proposals for a service in the Irish Republic—and eventually on a pan-continental basis.

"But for the moment we will proceed with cantion," says Gabriel. "Embarking upon ambitious international delivery services can be one of the fastest ways to lose money I can think of."

Cockerill Sambre

Back from the dead

Paul Cheeseright describes the Belgian steel group's halting revival

COCKERILL Sambre was "clinically dead" by the Autumn of 1983. The corpse that was the state-owned Belgian steel group was being tossed around as e political football.

The man who could have signed the death certificate but instead gave it the kiss of life was Jean Gandois. Bnt, he says in e memoir* of two years' confrontation and nursing of an industrial dinosaur, "It is still fragile and suffering."

That is pretty well right. Gandois handed his successor a new structure and a balance sheet which was less dirty than it had been. But there were losses in 1985 of BFr 6bn (£140m) and there will be losses this year of around BFr 4.5bn.

Gandois is not a company doctor in the strict sense of the word. He is e former steelman who joined Rhone-Poulenc, the French chemical group from which he resigned as president in 1982. He then, as an independent consultant, devised e restructuring plan for Arbed, the Luxembourg steel producer and the Belgian government aproached him to do the same for Cockerill Sambre.

He has now been named as the next chairman of Pechiney, the French steel group, in the recent nominations of chairman of those state companies shortly to be privatised.

He was not the first consultant who had been through Cockerill Sambre. The ideas of McKinsey and Nippon Steel had been gathering dust on the shelves, and the subsidies had been disappearing into the furneces with frightening speed.

What Gandois found was a mess. He described Cockerill Sambre as one of the worst steel companies in Europe. It was the result of 15 years of mergers, most of them undigested. It had over-estimated its likely share of the market; it was badly managed.

The group was based in the two steel basins of Liege and Charleroi—the executives of one did not cooperate with the executives of the other; they even had different accounting methods. The unions of the two basins were rivals. Even inside each basin, the plants were independent. Cockerill Sambre was just a name above a mosaic of companies.

At the start of 1983, Gandois moved in. He had to bring a secretary from outside, because somebody appointed from inside would be subject to pressure. For five months, he enquired, interviewed, examined, then produced his plan. It carried a BFrs 100bn price tag, involved plant closures, new investment and a one-third cut in the workforce.

First, the politicians had to accept the plan. Cockerill Sambre was seen by the Flemish of the north as wasteful and hopeless—certainly not worth any more of their money. For the Walloons of the south the group was a totem of industrial might, however atrophied.

Gandois was helped in finding his way through that thicket by his calculation that the cost of shutting the group down was as great as keeping it open. But keeping it open involved, in characteristic Belgian fashion, balancing off a subsidy to the south by giving something to the north. That took time to negotiate. But the government had a political agreement by the summer.

Starved

Clearly this helped to give an impetus to Gandois inside Cockerill Sambre. There, he had immediate problems of communication. There were many executives who simply could not understand that it was necessary to cut production, who believed that the only thing wrong was that the group had been starved of fresh investment. The view of Gandois was that nobody had a right to anything—they had to win it.

But his immediate efforts to raise productivity soon stalled. He found that although the politicians had an agreement, this did not mean that be himself, as the government representative to put his plan into operation, had the facilities to do the job. That meant legislation and it took nearly a year to get it into place. So his figures began to look outdated. He calculated the delay as putting another BFrs 5bn on the cost of his plan.

The trouble was that everything was interlinked. Some plant closures depended on the nature of production-sharing agreements he wanted to negotiete with the unions. But they did not want to negotiate with him until he could say where the plant closures would be, and the financial restructuring of the group could not take place until it was clear what was being restructured industrially.

By the end of 1984 all this had been sorted out. Gandois could therefore get on with actually creating a group. The plant closures went ahead—that was the physical side. More difficult was the buman side. He was working alongside an existing administration which be knew he had to replace, but be could not bring in new blood from outside because nobody wanted to come.

One of his first steps was to create an executive committee, partly in order to overcome the divisions between the Liege and Charleroi basins. It started as an unwieldy 15 men. It was the first step to inducing e co-operative spirit, to overcoming the reluctance of some executives to talk to others because they felt superior to their colleegues.

Middle management was restive and put in a demano for shorter working hours. They were bought off with luncbeon vouchers, which prompted the unions also to put in claims for more money, and exacerbated the problems of pay differentials between Liege and Charleroi.

Gandois' great complaint was the mediocrity of the whole business. So, rather like Sir Michael Edwardes at BL (now the Rover Group), he shook the management out. He does not put it as crudely as that in his book, but those who looked as if they could perform were given their bead, and the management structure was changed from a plant base to a product base. Significantly, in the Belgian context, be moved the headquarters out of range of the regional rivalries in the group by plonking it down in Brussels.

He quotes a senior Flemish politician who told him be was, like all Frenchmen, too demanding. "The sinking of Cockerill Sambre will be avoided, and yon will have contributed to that," he was told. "But the business will never be absolntely lost and it will never be absolntely saved."

Mission Acier, Mon Aventure Belge, by Jean Gondois. Editions Duculot, Paris—Gembiux, 1986. BFr 495.

THE ARTS

Television/Christopher Dunkley

Back to the old green sofa . . .

To have to return from the sun and sweet sunshine of Sardinia to the freezing rain and granite greengages of England is bad enough, but friends are intent upon making it worse. "Hope you had a good time," they say, "you didn't miss anything. There's nothing on television." Sure enough, the first night back at work on the old green sofa seemed to bear out their gloomy analysis. My main television set is one of those that revert to BBC 1 when you switch it off, so when I switched it on again a week last Saturday it was BBC 1 that came up.

"I crossed a crocodile with a parrot and it bit a man's leg off and said 'Who's a naughty boy then?'" declared a man whose face looked vaguely familiar. Was he not one of the regulars from *The Comedians*, the series screened by Granada 15 years ago? And was that joke not one of the first ones told in the 1971 season? Perhaps BBC 1 was hoping to appeal to the teenagers whom we had seen earlier in the day of the Dover ferry, smothering their chips in vinegar and salad cream. They were probably not born when *The Comedians* was running and might regard such gags as the very height of wit and originality.

On August Bank Holiday Monday I watched Channel 4's American documentary *Will There Always Be An England?* and very depressing it was. Winchester's well-heeled middle class citizenry was contrasted with Liverpool's working—and more often not-working—classes. The boys of Winchester College with their expectations of jobs in banking and law and (somewhat astonishingly most popular of all) journalism were compared with unemployed, unmarried teenage mothers in Liverpool. It was a striking illustration of the survival of the haves and the have-nots 40 years after the beginning of the welfare state.

Of course precisely similar programmes could be made about virtually any human society, anywhere in the world, at any time in history. If instead of taking a jolly foreign jaunt WGBH had filmed the haves in their own home city of Boston and then the have-nots among the Hillbillies or the blacks of Chicago they would have produced equally devastating contrasts. Even in Russia the difference between, say, Mr Gorbachev, with his chauffeur driven limousines and country dacha and those on the Moscow list waiting for one-roomed flats would make a heart-rending picture of a polarised society. But I suspect it may be a while before WGBH get round to making that one.

On Wednesday came the last episode in BBC 2's series about South America, *Sweat Of The Sun, Tears Of The Moon* in which Jack Pizzey dwelled upon the stark differences between the teenage street arabs of Colombia, searching the local rubbish tip for scraps, and the immensely rich local land owners. Obviously the fact that you can find such inequalities anywhere in the world does not reduce the problem, nor does it relieve the suffering of the have-nots. Television can hardly be blamed for perpetually highlighting unfairness and deprivation: just as air crashes and not safe landings make news, so hardship is more worthy of our attention than comfort.

The fact remains that when you return from a holiday without television to a nightly diet of the woes of the world, the effect can be deeply dispiriting. Yes, you think, as you watch yet another graphically illustrated example of the over-fed living alongside the starving, it is indeed utterly dreadful. But while television may be able to create a society more aware than ever before of the unfairness of the world, it seems as powerless as any other body to do anything about it and that inability is as distressing as the original woes.

But what about those claims that there is "nothing on television"? In literal terms they are clearly nonsense; there is more now than ever before. Today, Wednesday September 3, 1986, British television will transmit 54 hours and 20 minutes of programmes. Ten years ago on a similar September

Vanessa Redgrave in Three Sovereigns for Sarah

Wednesday it was 38 hours 40 minutes. In 1968 (which is as far back as I go with Radio and TV Times) the total was 28 hours 10 minutes. So in 18 years output has just about doubled. Now, with the BBC's expansion of daytime programming in the middle of this autumn season, and the revived prospect of four new channels broadcasting direct from satellite to home, output is clearly going to increase even faster.

What my friends mean, I suspect, when they talk of "nothing" on television is that there is currently no single notable series which everybody (that is to say we and our friends) is watching—no *Edge Of Darkness* or *I, Claudius*.

Soon, as the autumn season gets properly under way, that may change. BBC 2 is mounting Sophocles' Theban plays—*Oedipus The King*, *Oedipus At Colonus* and *Antigone*—on three successive nights. BBC 1 is promising *The Singing Detective*, the first new serial from Dennis Potter since *Pennies From Heaven*. And, with the promise of greater popularity than either of those, ITV is offering an 11-part serial created by John Mortimer.

Echoing that American documentary, Mortimer writes: "What on earth happened to the brave new world we were offered after the Second World War? How have we lived through such a baptism of fire, only to return to the original sins, the unemployment and inequalities of the thirties? If the question provided no answer, at least it gave me a title: *Paradise Postponed*."

A single *succès d'estime* can put an end to the claims that "there's nothing on television" and fiction programmes seem to be a more bearable way of hearing about man's inhumanity to man than fact programmes. No doubt that is why I began to look away from the news, current affairs and documentaries programmes so soon after reoccupying the old green sofa, looking instead for drama series.

The first I found was *Three Sovereigns For Sarah* on Channel 4, a documentary-drama in three one-hour episodes, re-telling the story of the witches of Salem using court testimony and historical evidence, concentrating on the three sisters Sarah Cloyce, Rebecca Nurse, and Mary Easty. The story is a fairly familiar one by now, but two factors made this a rather special version. First the script went back repeatedly to claims that denouncements for witchcraft were motivated by feuds over property boundaries as well as the disagreement in the Salem community over the appointment of a minister. And second, Vanessa Redgrave turned in yet another performance which towered — literally and metaphorically — above her fellow performers. She was, as ever, wonderful to watch.

That said, one wonders what benefits the producers (Nightowl Productions and American Playhouse) thought they would gain from mounting a three-hour "documentary" drama instead of spending the same money on a slap-up version of *The Crucible*. Arthur Miller's best play not only incorporates all the arguments of the television version but having been written during the McCarthy era, speaks also of the eternal triangle formed by fear, public hysteria and vicious persecution which exists as much today as in 17th century New England.

The second drama series I came across was *The Monocled Mutineer*, an account of the life of Percy Toplis, leader of a mutiny in World War I, written by Alan Bleasdale and directed by Jim O'Brien. The Radio Times says Toplis was "a dashing rogue" and the BBC's national advertising campaign calls him a "racketeering rogue" and credits him with "considerable charm." Some television critics seem only too happy with this PR line, calling Toplis "an appealingly roguish figure," "incorrigible" and "one of those rascals."

Yet the series itself seems to have quite a different message. It appears that Toplis stole shamelessly from his own family, and far from being a "rascal" who was radicalised by conditions in the trenches and labelled a criminal only because he led what many of us would now regard as a wholly justified mutiny, he was actually a criminal of a rather despicable sort from an early age. Bleasdale's picture, as we have come to expect, looks bleakly honest and we would do well to feed off the meat of his programmes rather than consume and regurgitate the doubtful packaging prepared by the marketing men.

No doubt the troubles of Toplis will soon come to seem more real than the fading sweetness of the Sardinian *susine*.

Tokyo Ballet/Covent Garden

Clement Crisp

There is a two page programme note which details the story of the nine acts of Maurice Béjart's *The Kabuki*, with which the Tokyo Ballet opened a week's season at Covent Garden on Monday. The audience may read it, if they so wish, though my own suspicion is that selections from the Zagreb telephone directory would be as much use in helping anyone understand the inscrutable activities that occur on stage.

Béjart's attempt to give some balletic identity to the convolutions of one of the most celebrated Kabuki dramas, *The 47 Ronin*, is a work of the most exquisite tedium, with 17 listed characters, and a plot which makes a Victorian novel seem like a *haiku* for simplicity. My own amazement at the incomprehensibility of the action is deepened by the fact that I have never found any trouble in following Kabuki drama in the theatre, but the convolutions of *The Kabuki* defeat rational analysis, and the only recourse is to sit back and watch a succession of scenes (very handsome, by Nuno Corte-Real), while an eclectic score by Toshiro Mayuzumi rages away, and a bizarre parade of incidents wend their arrant path over the stage.

Béjartian procedure, of course, further muddies the matter by introducing a time-warp element, so that the opening scene takes place in modern Tokyo, where we first meet Eric Vu-An as the hero of the evening, and watch him (and, I think, another young couple) gradually assuming the roles of the Kabuki characters. At one moment, quite early on, Vu-An, a magnificent dancer from the Paris Opera, sits on a rock and holds his head in his hand in a state of, I assume, bemusement.

He had my sympathies, as he did throughout the performance, for the piece is a prodigal waste of his gifts. Without him, though, the ballet would be even more intolerable, for he brings a luscious technical and emotional presence to the choreographic predictabilities he is given, and provides what meagre justification there is for sitting through the labyrinthine nonsense of the staging.

It is hard to judge anything of the qualities of the Tokyo artists amid the poses and faint steppings of what passes for choreography. Béjart's sense of drama comes to the rescue of the final moments of the piece, when the entire cast of samurai commit ritual suicide. But anyone who has seen Kabuki will know that in that ancient and ritualistic theatre, visual beauty and dramatic passion are to be savoured throughout the evening. With Béjart's Kabuki they are incidentals to a farrago of posturing and narrative obscurity.

Eric Vu-An

London Contemporary Dance Theatre/Rimini

Freda Pitt

To accept a commission on a specific theme for a large gathering in a foreign country takes courage, but it also tends to clip the wings of creation. As a result, I doubt whether Robert Cohan's *Video-Life* (which represents a kind of video-death) will go down as one of his best works. However, it was greeted by thunderous applause after its first performance by London Contemporary Dance Theatre on August 27 in the auditorium that is part of the immense structure taken over at Rimini for a week every year by the "Meeting per l'amicizia frail popoli" (for friendship among peoples).

This is run primarily by and for the members of a Catholic youth organisation that is particularly active and influential in the universities. This year's topic was "Tamburi-Bit-Messaggi," that is communication in its various forms, so apart from the exhibitions, talks and debates, that had also to be the subject of the new dance work. Cohan takes a thoroughly negative view of the influence of television and video on present-day society. It so happens that Italians are not yet video addicts and do not as a whole spend as much time glued to the television screen as do the English, according to statistics, but this does not mean that the possible effects of continually seeing violent acts on the home screen is not a much-discussed problem in Italy also. Understandably enough, Cohan has nothing especially new to say on the matter, but so far as I am aware it had not previously been treated in dance terms.

Television screens placed high at both sides of the stage show a constant succession of scenes of war and violence, the violence being reflected in the brutal actions and movements of the anonymous-looking dancers (mostly in couples) at the front of the stage. They all wear dark glasses, as does the surgeon-like figure towards the back who seems to be directing operations. Like Barry Guy, the composer, whose double-bass is backed by electronic sounds, the green-clad "surgeon" is separated from the aggression-bent dancers by a series of white pipe-like sticks, which are later transformed into a barrier (of incomprehension?).

A good example of manipulation in strictly dance terms is provided by the television picture of a limited section of the stage, without Norberto Chiesa's scenery and only two or three dancers. This should have reminded the audience that a televised performance is at best a crude approximation of the original.

Patrick Harding-Irmer took the role of the mysterious redeemer-like robed figure who, followed by the others, removes his dark glasses towards the end.

The company was seen to greater advantage in the opening *Stabat Mater* and in the joyous closing *Class*, which gave the dancers the chance to express their individuality. *Video-Life* will have its British première in January or February.

The Maintenance Man/Comedy

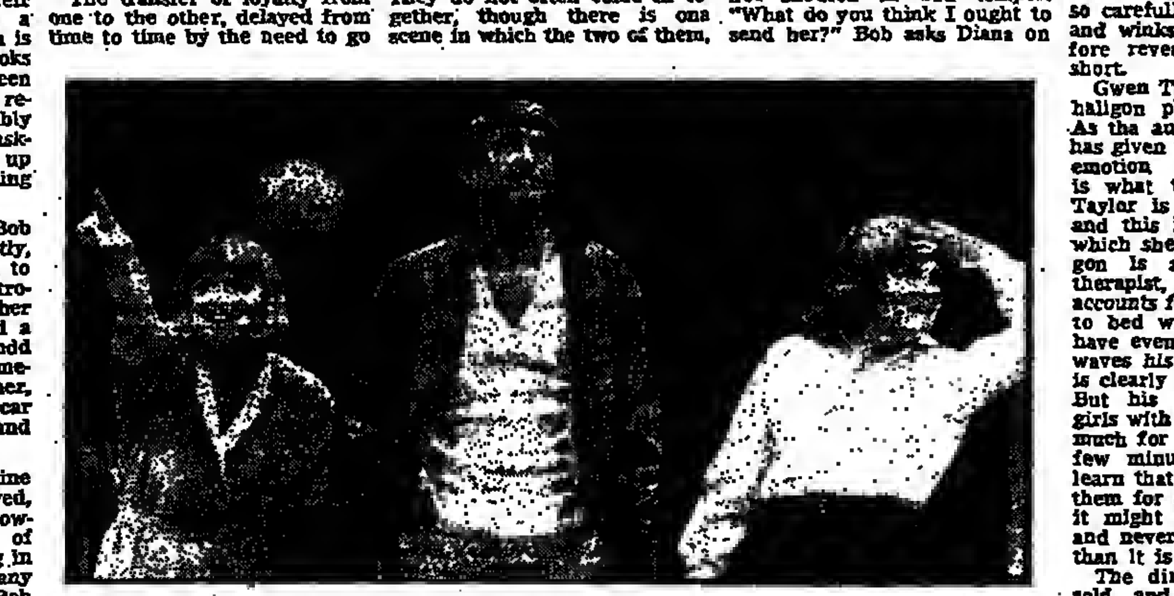
B. A. Young

Bob's way of showing his devotion to a woman is to do odd jobs for her. We see him doing one when the curtain goes up, measuring a plank for some shelves, and sawing a chunk off it. The shelves are for his wife, Christine, with whom, and their two children, he lives in a house where the sitting-room is so rich in planks that it looks as though it might have been built by himself. Their relationship seems reasonably orthodox, though she keeps asking him to get cleared up because she has people coming to dinner.

At the end of this scene, Bob addresses the audience directly, explaining that he is about to show us a flashback. In retrospect, we encounter another lady, Diana, with a car and a daughter, and Bob is doing odd jobs for her. There is a home-built shelf just like the other, and there is a broken-down car that has to be repaired and brought home.

From here on, both Christine and Diane are equally involved, for what this retrospect is showing us is Bob's falling out of love with the one and falling in love with the other. How any woman could put up with Bob (apart from the odd jobs) for more than 10 minutes passes my understanding, for as John Alderton plays him he speaks almost always in an ill-tempered shout, and is constantly concerned with his own difficulties, mostly his obsessive medical problems.

The transfer of loyalty from one to the other, delayed from time to time by the need to go back to Christine and sort something out, is followed relentlessly for a couple of hours. The same set serves for Christine's house and Diana's; all that distinguishes them is the door by which the current lady comes in. They do not often come in together, though there is one scene in which the two of them, seated either side of their victim, represent his mother. ("He thinks she's Jewish," Diana says. "It's psycho-Semitic," Christine caps her.)



Susan Penhaligon, John Alderton and Gwen Taylor

Alastair Muir

That is about the level of the comic dialogue, the part that is not shouted in bad temper. "What do you think I ought to send her?" Bob asks Diana on the morning when his marriage to Christine is judicially ended. "A divorcegram?" All the same, it is only fair to say that the audience laughed pretty continually. They even laughed when Bob, taking his plank to fit into the space for which he has so carefully measured it, turns and winks at the audience before revealing that it is too short.

Gwen Taylor and Susan Penhaligon play the two women. As the author, Richard Harris, has given them little but cliché emotion to express, that is what they give us. Miss Taylor is alleged to be ugly, and this is the only point in which she fails. Miss Penhaligon is a practising physiotherapist, which perhaps accounts for her agreeing to go to bed with Bob before they have even kissed. Mr Alderton waves his arms and yells, but is clearly a nice chap at heart. But his devotion to helping girls with their odd jobs is too much for him, and in the last few minutes of the play we learn that he has started to do them for a third lady. And so it might go on for a decade and never get any less tedious than it is now.

The director is Roger Clissold, and tha twofold sitting-room was designed by Tom Bickerton.

Toronto Symphony/Albert Hall

David Murray

Running hard to catch up with the newly-famous Montreal Symphony, the Toronto orchestra is doing Europe this summer, and from Edinburgh they reached the Prom on Monday night. Andrew Davis—still, for a while, their permanent conductor — chose an ambitious programme, and they had the estimable young French-Canadian pianist Louise Lortie as soloist instead of (as in Edinburgh) the unmanageable Ivo Pogorelich.

Lortie addressed himself to the last of Mozart's C major concerti, the sumptuous K.503, with finency and taste. It deserves, ideally, a mature soloist's personality; the work is so richly elaborated that it positively invites an individual stamp in its central role. For the occasion, Lortie's lucid musicianship (without preening or idle graces) was probably sufficient, for the Davis/Toronto reading remained smoothly lyrical. The Olympian weight of the concerto was only cautiously measured.

The orchestral challenge came with Mahler's Ninth Symphony. At first one was anxious: there were stammers in the first notes beyond the call of duty, and the gentle, infinitely weary violin elegy was over-sugared with vibrato (perhaps Canadians haven't the knack of sounding as tired as Europeans—or as Americans who have spent long enough under Bernstein). But the solid clarity of the playing was soon reassuring, with immensely secure brass (granted the usual North American shortage of real horn-legato) and clean, long-breathed woodwinds. Until the final Adagio, little was made of Mahler's characteristic portamenti, nor were the rougher jokes in the *Ländler* movement played up; no doubt that reflected Davis's own particular taste.

If the performance did not sound altogether steeped in Mahler's idiom, it made a strong and creditable impact nonetheless. Davis expounded the symphony with evident devotion, effective care for its proportions, and a rigorous refusal to swipe at easy effects. A few fraught transitions became mere joins, but in the Adagio for example Davis's unsentimental, up-tempo progress through the shadows made fine, sober sense. It should be said that much of the individual playing was of a very high technical order: score in hand, I was struck by the number of solo passages—many of them undercover, so to speak—which generally emerge (or not) as mere promissory notes, and which were executed here with assured finesse.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

August 29-Sept 4

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holmes's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken, Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

TOKYO

The Peony Lantern: based on a ghost story by Sanyutei Encho, indulging the Japanese tradition of chilling tales of the supernatural as antidote to relentless summer heat. The plot revolves round the ghost of Otsuya, who after her unhappy death pays a visit back to earth to her lover. This is also O-bon season in Japan when, according to Buddhist belief, ancestral spirits make their annual visit to their former earthly homes carrying lanterns. The play is performed by one of Tokyo's best troupes, Bungakuza, directed by Ichiro Inui and stars Haruko Sugimura (favourite of Japanese audiences and best known for still playing Blanche Dubois in A Streetcar Named Desire at age 82), Kazuo Kitamura and others. Mitsukoshi Theatre in Mitsukoshi Department Store, Nihonbashi. (241 3311).

Noh by Torchlight (Takagi Noh). A special treat in Tokyo's relentless summer heat is outdoor Noh performances by firelight, held in the evening cool at shrines, offering a rare chance to experience Noh in its original outdoor setting. The effects of strategically-placed fire caskets are perfect for the other worldy atmosphere of Noh. Programmes include specially chilling ghost stories to alleviate summer heat – a Japanese tradition. The tiny pocket books, A Guide to Noh and Guide to Kyogen (available at hotel bookstores) give the plots. Very popular and usually held at weekends, see Tokyo papers for details. Book early to avoid disappointment.

Bunraku Puppet Theatre: Japan's traditional popular theatre with its life-size puppets. Sister theatre to Kabuki, they share a common repertoire. This month's performances feature one of the most popular plays for Bunraku, Imoseyama Onna Teikin by Japan's best-known 18th century playwright, Chikamatsu. Matinée at noon, evening performance, 4pm. National Theatre near Akasakamitsuke and major hotels. English programme and excellent earphone commentary available. (265 7411).

NETHERLANDS

Den Bosch, Casino. Chris Harris in his one-man show Kemp's Jig, the comic story of a musical clown in Shakespeare's company who turns his back on the hard and wins fame by Morris dancing from London to Norwich (Thur). (125 125).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

For King and Country/Greenwich

Martin Hoyle

John Wilson's probing study of the court martial of a supposed deserter at Passchendaele started life as *Hamp*, was revised as *No Man's Land*, but reached a wider audience as a film under its present title, with Dirk Bogarde, in 1964. Television would be ideal for its compactness and concentration. On stage it emerges as a solid discussion piece, though in its attempt to portray the individual reduced to a mere unit in an inhuman schema the play itself falls into the trap of the schematic.

"Truth is always far too complicated and usually dangerous." The officer's remark is the motto of corporate institutions, armies included, where the individual is subordinated to the general good. The use of hypodermic and alcohol puts the condemned man into a sleep that may mercifully last until and during his execution—"As long as he's breathing he only has to be present as an object," says the officer, unconsciously articulating the attitude to the fighting man throughout.

Alan Strachan's production underlines the decency, to varying degrees calloused, of the officers called on to judge Private Arthur Hamp who after three years of fighting, nearly drowning in muck, wiping his friend's guts off himself, unable to sleep, eat or stop shaking, decided to walk away. The writer makes someone call Hamp lovable, as if uncertain whether the message has come over. Admirably straightforward and unpretentious, Paul Clarkson does his best with Hamp's basically passive character who has lovableness thrust upon him.

More schematic is the range of official attitudes: the coolly logical prosecutor (Marc Sinden), in civilian life a barrister (later reported as blown to pieces to emphasise the general expendability); the defending officer, passionately concerned to the point of mutiny; and, the most complex, the lieutenant who also loathes the mad search for a scapegoat but hardens himself to duty, grimly warning the others of possible vomit and diarrhoea as he ties the slumped victim to his — "its," by now — chair.

On Bernard Culshaw's set—a ravaged farm building, shattered roof open to grey skies—the men argue, rage, bitterly comply. Rituals are gone through, legal and religious. The play's emphasis on the individual's impotence, the institution's strength and the executor's expediency somehow never kindles into theatrical excitement, perhaps because the characters remain symbols, attitudes. Good performances from Scott Cherry (the Padre) and Paul Williamson, admirably unexaggerated as the old-style officer; plus a highly promising one from Alex Jennings as the young idealist who turns executioner to spite the system, "because it's less wrong than doing nothing."

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Separating aid and trade

THE BRITISH Government's recent decision to provide some £60m of aid money, the equivalent of nearly a year's worth of the aid and trade provision, in a mixed credit for a big water supply contract in Malaysia, has once again drawn attention to the problem of separating aid and trade.

Mrs Thatcher herself lobbied for the contract on behalf of the Biwater Group during her visit to Malaysia last year. The Prime Minister's personal intervention may well have been the key to the largest single grant from the ATP, a budget administered by the traditionally prudent Overseas Development Administration.

There were strong developmental grounds for the decision in this case, and equally strong political grounds: it is not long since a diplomatic dispute over the "repatriation" of British-owned Malaysian assets was patched up. The contract will also put £200m worth of work into British factories over the next five years.

The mixed credit for Malaysia shows that Britain can be as aggressive as anyone in the game of subsidising exports by means of concessionary finance, contrary to the conventional wisdom that the UK plays cricket while her competitors are ignoring the rules of the game. Indeed, Britain is third only to Japan and France in its use of the mixed credit weapon, according to recent OECD estimates.

Full support

In a depressed market for project work in the developing countries, exporters can no longer rely merely on low price and prompt delivery. Financial engineering has become just as important and, in many cases, even the loan packaging skills of the City of London are not enough to satisfy cash-starved state customers in the Third World. Bidders are obliged to ring round the world for partners who can bring government money into the contest.

Once that happens, contractors find themselves at the mercy of officialdom in both countries. Ambassadors are drawn into commercial negotiations, ministers become travelling salesmen.

Efforts within the OECD to draw a line between aid and trade have not been very successful. The US, with the full support of Britain, has been trying to put the brake on predatory financing by raising to 40 or 50 per cent the proportion of aid that must be put down for a mixed credit for it to qualify as genuinely developmental. In the case of the Biwater financing, just over 30 per cent is aid money, the rest being a D-Mark loan at the special rate allowed by the OECD for long-term fixed interest trade finance.

Yet this is no more than tinkering with the problem, and it will not remove the real cause of the confusion and irritation experienced by businessmen worldwide. If governments wanted to help the developing world—and their own businessmen into the bargain — they should be ready to finance projects entirely from aid budgets, by means of a grant or a low interest (or nil interest) tied loan.

Living standards

Then, at least, the subsidy would be visible and merits of the project could be discussed in a rational way at home and negotiated with the beneficiary abroad. Developing countries would be weaned from a corrupting diet of soft finance for commercial projects. They would be forced either to accept the aid openly, as they do from multilateral agencies like the World Bank, or to put the work out to international tender and pay a commercial price for it.

The objection to the Malaysian credit is not that Britain should spend so much of its aid budget on one contract. It is not that the Government is wrong to sponsor a scheme devised by an enterprising company that will raise living standards abroad and create work at home. It is that the UK—even if for the best of motives in this case—has encouraged the further proliferation of a technique that it professes to condemn.

Aid and trade are separate activities and should be separately conducted by those who understand them best. Exporters should be allowed to compete on quality, price and delivery; bankers should be allowed to compete in lending; officials and ministers should be free to consider the best use of public money as an adjunct to foreign policy.

The present confusion leads only to dissatisfaction, recrimination and waste. But next time that the Japanese pull out a soft loan to snatch a prestige foreign contract away from a UK bidder, British ministers would do well not to cast the first stone.

Mr Kinnock matures

IT WAS NOT an electrifying performance, like his speeches to the Labour Party conference last year, yet the address by Mr Neil Kinnock to the Trades Union Congress in Brighton yesterday suggests that he is continuing to mature as party leader.

Mr Kinnock has developed the merit of not promising too much. His speech contained few, if any, hostages to fortune. The main pledge, made several times before, was that a Labour government would seek to generate 1m new jobs within two years of coming to office. For the rest, it would be a long, hard slog. Mr Kinnock recognised the magnitude of the task and the time scale required to achieve it. He spoke of a five-year plan for investment and of moving on to a 10-year planning horizon. But it did not sound like the over-ambitious Labour planning of the past that has so often ended in tears. His version of socialism would be deliberately more flexible than that of some of his predecessors.

Main attributes

The key words were work and partnership, the latter sometimes described as consensus or, in the German concept, concerted action, signifying co-operation between all the social partners rather than, as the British have tended divisively to put it, both sides of industry. That should not be lost on the people outside the hall. For Mr Kinnock was speaking to two audiences: the TUC and the electorate at large. Not once did he lose sight of the reality that the Labour Party is unlikely to win a general election with the support of trade union activists alone. As he told the Labour conference last year, the party needs to be able to appeal also to the people who are "not weakened, not wretched and not poor." He had a pretty good shot at that yesterday.

The trade union movement seems to have understood this. It was already apparent at the opening of the Congress on Monday that the unions do not want to tie a future Labour government in fetters before it starts, having made commitments that it cannot keep. The days when a Labour Party leader, such as Mr James Callaghan or Mr Michael Foot, staked practically all on reaching agreement with the unions seem to have gone. Instead a more arm's length relationship is developing. The unions want Mr Kinnock to win and indeed one of his main attributes is that he has persuaded them of his belief that he will. They can help the Labour Party financially and all of them have voted to continue to do so. But the evidence of Brighton so far is that they are backing away from seeking too dominant a role in policy.

Mutual shackles

If this is borne out by events, it will be good for the unions, good for the Labour Party and good for the country. The unions, after all, have to live with the possibility, however remote it may seem to them this week, that Labour will not be elected. It would be foolish of them to pin their entire future on hopes of Mr Kinnock becoming Prime Minister: they have other matters to attend to, like their relevance to their members.

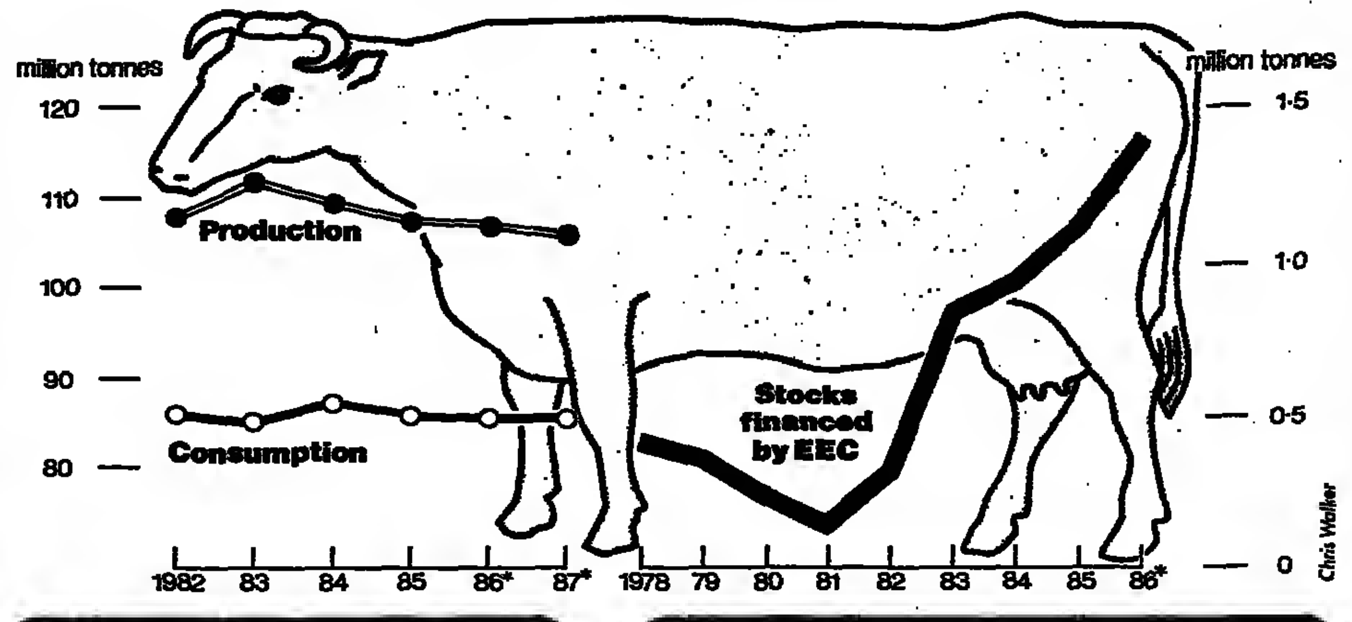
The Labour Party has suffered in the past from too close an identification with union interests. In the end one side or the other—the unions or a Labour government — has usually failed to deliver its side of the bargain, whether on incomes policy or on economic growth. There have been mutual shackles and mutual embarrassments. Both sides now seem chary of what Mr Kinnock yesterday called the "cosy, cosmetic embrace that wouldn't take the first strain." That must be part of his appeal to the wider constituency than the TUC.

The country as a whole must be a beneficiary because the old Labour-union alliance was in danger of becoming excessively sectarian, a collection of activists fighting old causes rather than realists looking to the future. Mr Kinnock has begun to be capable of offering new horizons and taking the movement with him. The next challenge is to go down as well with his own party conference in Blackpool at the end of the month as he did with the TUC. Then it really will be a question of reaching the broader electorate.

THE EEC DAIRY SURPLUS

A mountain no-one can move

By Tim Dickson in Brussels



Too much milk .... makes a growing butter mountain.

Source: European Commission *forecasts/estimate

EARLIER this summer on an informal trip to Arnahem in Holland, EEC Farm Ministers were told about how new breeding techniques can overcome the problem of sick cows. By eliminating the debilitating disease of mastitis, a young Dutch researcher eagerly explained, milk yields can be increased by an average 400 litres per animal per year.

Outwardly no doubt, the ministers reacted to this impressive scientific achievement with awe. Inwardly, however, they probably felt like the German journalist who, on hearing the same bit of news at a subsequent briefing, theatrically buried his head in his hands and cried despairingly, "Not more milk, please, not more!"

As European Commission officials get back to their desks in Brussels this week after the August break, they will quickly discover that overproduction in the dairy sector is once again the EEC's No. 1 farm policy headache.

Poor harvests in parts of Europe after a drought have for the moment at least taken pressure off the cereals sector while a couple of sizeable beef sales to Brazil have significantly reduced the quantities of meat in Community stores. But the EEC's "butter mountain" just gets bigger and bigger.

The Commission's latest estimate is that a record ½m tonnes of butter is set to flow into EEC "intervention" stores this year, taking the Community's total butter surplus to well over 1.4m tonnes.

For this ½m tonnes, the EEC will pay Ecus 3,120 per tonne ($1.5bn this year) under its system of guaranteed price supports. Storage will cost a further $200m. When the time comes to sell, however, the Community will receive virtually nothing. The Commission recently sold three-year-old butter at Ecus 92 per tonne.

The Community is caught in the worst of all worlds—rising production as increasingly efficient European dairy farmers cash in on a fixed price for their produce on the one hand, and falling butter consumption — and a collapse in world export markets on the other. With EEC Budget Ministers due to resume their deliberations on 1987 spending next week the pressure to do something has seldom been greater—but by the same token the feeling of hopelessness has seldom been more pervasive.

Why, then, have successive attempts to tackle the problem—notably the introduction of milk quotas in 1984—had so little impact?

Most Commission officials now privately admit that the now privately admit that although the quota system initially succeeded in cutting back dairy production, it has always been fundamentally flawed. Designed to limit EEC milk output by penalising farmers who produce more than a set amount through the imposition of the so-called super-levy (a tax of up to 100 per cent of the market value of the surplus product), the basic problem is that quotas were fixed too high above effective demand. Thus, while EEC production in the system's first year of operation—1984—was cut from 112m tonnes to less than 110m in the Community of 10—and hailed as a major achievement at the time. EEC consumption over the period was a mere 87m tonnes.

In the second year, as the EEC's Farm Commissioner Frans Andriessen recently admitted the Community milk surplus was of the order of 7m to 8m tonnes.

Concern in Brussels at the moment, though, is centred on the fact that production in the current year is moving ahead of 1985 output and that deliveries could far exceed the targets under the quota regulation. Figures published recently by the magazine Agra Europe suggest that in the first three month of 1986 deliveries were broadly "within quota" in most countries. But in June, production showed a 2.2 per cent rise by comparison with June 1985 and provisional results for July demonstrated continuing expansion, particularly in the Netherlands and West Germany. A Commission official said last week that output in some countries could be running "at 2 per cent above quota."

The main reason for this is widely felt to be the system of transferring quotas from regions which underproduce to those which overproduce. Commission officials are convinced that if co-operatives, dairies and other authorities were prevented from "averaging out" in this way, production in the Community might be around 1m tonnes lower.

If the quota system is not proving much of a disincentive to overproduction, the economics of dairy farming are certainly acting as a spur.

The bigger and more enterprising farmers in the Community—not only in Holland and the UK but in parts of France and Germany as well—who cut the size of their herds and therefore their costs in anticipation of the initial milk quota "shock," are improving their yield per cow through techniques such as those outlined to farm ministers at Arnhem, and on top of this have recently been enjoying a sharp reduction in the price of animal feed. With a guaranteed and fixed price provided by the Community for butter and skimmed milk powder—the other "sink" product manufactured from the protein component of milk, and surpluses of which have once again topped the 1m tonne mark—the most efficient dairy farmers in the EEC would appear to be cashing in on a profits bonanza.

None of this would be so serious if there were sufficient outlets in world markets—but the fact is that in common with cereals and beef there are precious few third-country takers for the EEC's surplus butter. Export sales in 1986 have slowed to a trickle—the sale of 100,000 tonnes of "ageing" butter to the Soviet Union earlier in the year was the only significant recent deal—while attempts to dispose of the mountain in other ways such as selling it to animal feed manufacturers and making it available to the socially deprived have encountered political scepticism and a degree of derision.

At around Ecus 400 per tonne per year, the storage of butter is a major burden on the Community purse and comfortably exceeds the cost of stockpiling non-refrigerated agricultural products.

Commission officials would dearly love to reduce quotas further and cut guaranteed prices with the former already fixed by ministers until 1988-1989 (when they are due to be just 2 per cent below the current level) and the latter fixed by political agreement until next April, their scope for manoeuvre is limited. The likely political reaction to any such suggestion can be gauged by ministers' irritation earlier this year when the Commission pushed through a disguised price cut of 2 to 4 per cent by extending from a minimum of 120 to a maximum of 180 days the interval between the arrival of butter at intervention stores and the date on which traders get paid.

This month's meeting of farm ministers promises to be a fraught affair with the Commission now expected to come forward with new reform proposals, quite possibly including the removal of the contentious system of "regional transfers." Other ideas at this stage, which are certain to be discussed at the weekly meeting of commissioners today, are a possible doubling of the rate of the superlevy.

With West German elections due in January, and the influence of farm lobby unabated, there is little expectation in Brussels that significant new moves will be taken before next year. That view, however, tends to be based on past precedent. Given the urgency of the crisis and the slow, if steadily growing, momentum for market-oriented policies in the sector, the EEC's budgetary and agricultural problems may have collided before then.

WHY MILK QUOTAS HAVE FAILED TO CUT PRODUCTION

THE SHOCK, and in some cases panic, with which British dairy farmers greeted the imposition of milk production quotas in April 1984 seem now like muffled noises from the past.

Farmers who thought then that quotas would squeeze the industry—probably the most efficient in terms of scale in the EEC—into an ill-fitting straitjacket are finding them much more comfortable to live with in practice. Although the more heavily-borrowed producers are still in financial trouble because they cannot churn out enough milk to keep up with their debt payments, many farmers are making healthier profits than at any time since the last boom year of 1982/83.

Production, which dropped sharply in the summer of 1984, because of the quotas and a drought, is now running well ahead of the quota level. Milk yields are above the level they reached before quotas. Agricultural machinery sales, which suffered heavily when quotas came in, have begun to recover. And the quotas—the entitlement to produce a given amount of milk—have become a valuable asset in themselves.

Bankers—who are still competing fiercely for farmers' business, even in the dairy sector—report that many dairy farmers, far from retrenching further, are now contemplating expansion.

The significance of all this reaches beyond the dairy industry. Many farmers, pleasantly surprised by their experience with milk quotas, now talks of repeating the exercise in cereals. A document circulated internally by the National Farmers' Union last year said: "The system has now at least reduced the surplus problem and, it would seem, is now helping to stabilise milk producer incomes. This gives a positive incentive to look for quantitative solutions in other sectors."

Yet the new-found confidence could easily turn out to be a false dawn. Quotas may have helped to prop up farmers' incomes so far, but the fact is that they have barely had a chance to work in Britain. In their first year of operation, British dairy farmers were well under quota. In their second year, 1985/86, total production in England and Wales exceeded the quota, but those farmers that over-produced had to pay a very modest penalty.

This is partly because of a peculiarity in the British system. If the country as a whole produces more than its quota entitlement, the so-called "super-levy"—supposed to be a punitive tax on excess production—is collected from the country's five centralised marketing boards, which then recoup the money from farmers who have over-produced. But in the first two years, over-production by some farmers was more or less offset by under-production from others, so little or no levy was payable. The effect was further diluted by the possibility, granted by the EEC, of transferring quotas from one regional milk board to another.

The central purpose of quotas, as originally conceived in Brussels—to make individual farmers feel the pinch if they over-produce—has thus been significantly blunted.

There have been other signals paradoxically encouraging farmers to disregard quotas. In the first place, the Milk Board—fearing that excessively low output could encourage the EEC to cut Britain's quota entitlement—exhorted farmers to pump out milk for all they were worth. Secondly, the EEC has seen fit to raise milk prices, albeit modestly, since quotas were introduced. Thirdly, farmers are now allowed to lease quotas to one another, providing greater leeway to those who wish to expand.

The most important factor is that production costs—chiefly those of cattle feed—have dropped dramatically. According to the Milk Board, the ratio of milk prices to feed costs—a good measure of the profitability of dairy farming — has moved from a level of about one-to-one a couple of years ago to 1.15 to one now.

The net result is a fresh upsurge in milk production. Between April and August of this year, total output in England and Wales was running nearly 3 per cent above the quota level, which is already well above consumption.

It is difficult to see how this level of production can be sustained. Quotas are due to be reduced by a further 3 per cent over the next three years under an EEC scheme to pay farmers to reduce output. There is a real danger that farmers contemplating expansion now will be brought down to earth with large fines—and more than a few bad debts. Quotas may not turn out to be the comfortable option after all.

Andrew Gowers

Men and Matters

New line at BT

Partly, no doubt, in the expectation that it may find itself at the centre of a lively debate about privatisation in the run-up to the next general election, British Telecom is preparing to sharpen up its public image.

It has announced the appointment of Colin Browne, one of its fastest-rising younger managers, as director of corporate relations, its top public relations post.

Browne, a 40-year-old Ulsterman, spent five years as personal assistant to Sir George Jefferson, BT's chairman, before becoming head of the company's cable television operations last year. He will continue to supervise this side of the business, which he has already expanded by raising BT's stake in two cable systems, and launching a feature film channel. Jefferson retires next month.

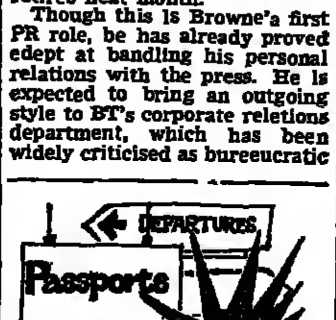
Though this is Browne's first PR role, he has already proved adept at handling his personal relations with the press. He is expected to bring an outgoing style to BT's corporate relations department, which has been widely criticised as bureaucratic and unresponsive.

Some BT insiders see in Browne's appointment the hand of Iain Vallance, aged 43, named chief executive of the company last week.

Vallance was also closely involved in the recruitment earlier this year of Bob Raggett, a journalist specialising in telecommunications, as deputy director of corporate relations.

Browne will take over next month from Peter Young, BT's top PR man since 1976, and a close aide of Jefferson.

Young, at 61, is already beyond BT's normal retiring age.



"I take it I'll be let back in without a visa?"

Absent friend

Harvard University is throwing a 350th birthday party this week. The VIPs attending include Prince Charles, the Aga Khan, US Secretary of State George Shultz, and Defence Secretary Weinberger, who will enjoy 100 scholarly symposiums, concerts by the Boston Pops and Joan Baez, fireworks, and a laser light show.

A notable absentee will be President Reagan—not a Harvard man himself. The White House says his schedule will not permit a visit. However, the refusal was not announced until after Harvard told him that it would not be awarding any honorary degrees during the festivities.

Reagan may well be recalling that President Franklin D. Roosevelt received an honorary degree when he opened Harvard's 300th birthday celebrations.

Reagan's academic record started with Northside High School, Dixon, Illinois, and ended at Eureka College in the same state.

Even those who scorn Harvard's reputedly liberal politics have not escaped its influence. Former president Richard Nixon, when putting together his first administration in 1969, warned his staff, "No Goddamned Harvard men, you understand." Nevertheless, three of his senior advisers—Henry Kissinger, John Dunlop, and Daniel Patrick Moynihan—were from Harvard.

Lowe's goddess

Crispin Lowe, aged 40, once thought he would buy a yacht and name it Ancasta after the Roman goddess of the Solent—the sailing waters between the Isle of Wight and the mainland.

Wisely, he set up a yacht retailing and brokerage business instead.

Seven years later his still-private company is selling more than £10m worth of new and second-hand boats a year (average price £30,000) and is the biggest company in the British market.

Now the Lazard Leisure Fund has decided to join him on the water. It is staking Ancasta with £750,000 for the purchase and development of Britain's best-known marina the Groves and Guttridge facility at Cowes, Isle of Wight.

Groves and Guttridge enjoys a brief glory every summer playing host to crack yachts from abroad for Cowes Week and the Admirals' Cup team racing. But visiting sailors have long complained of its Spartan facilities.

Lowe, who has paid almost £1m for the assets, has worked out a three-phase development programme, backed by the Lazard fund, to bring Cowes up to snuff as a modern international sailing centre. By next summer there is to be a new yacht club and service facilities for both humans and boats. He intends to follow that with a hotel complex, and finally, a health hydro.

To make it all pay he is out to attract a stream of sponsored sail and power events to Cowes—easier now that the yachting sponsorship rules have been loosened.

And, with due modesty, he admits to another plan to make Ancasta the vogue word in the European yachting scene by marketing branded lines in clothing and accessories.

Frayed nerves

The spirit of brotherly love was under strain at the TUC Brighton conference yesterday.

Those who waited for an appearance by Labour's deputy leader Roy Hattersley were disappointed. He pulled out of a fringe meeting engagement on the grounds that he was unable to travel because of ill-health.

His replacement, John Prescott, who has been an occasional adversary to Hattersley in Labour's "shadow" Cabinet, noted that Hattersley had a pinched nerve — Prescott said he was "glad to hear he has one."

Then Prescott spotted some reporters in the audience and decided to opt for diplomacy.

Talking his way out of an embarrassing slur on his deputy leader he suggested that the blame would be put on his flatmate.

Clearly Prescott had no doubt that his domestic friend, that tribune of Labour's hard left Dennis Skinner, would be delighted to be named as the

Brighton bells

Just two years ago, when the TUC last met in Brighton, delegates of the General, Municipal, and Boilermakers' union were roused from their slumbers in their hotel by a fire alarm and turfed out into the cold, inhospitable streets of the south coast.

The brothers of that union refused to believe their ears when the same thing happened this week — although in daylight this time.

The fire bells rang on while they had a cup of tea and considered their position.

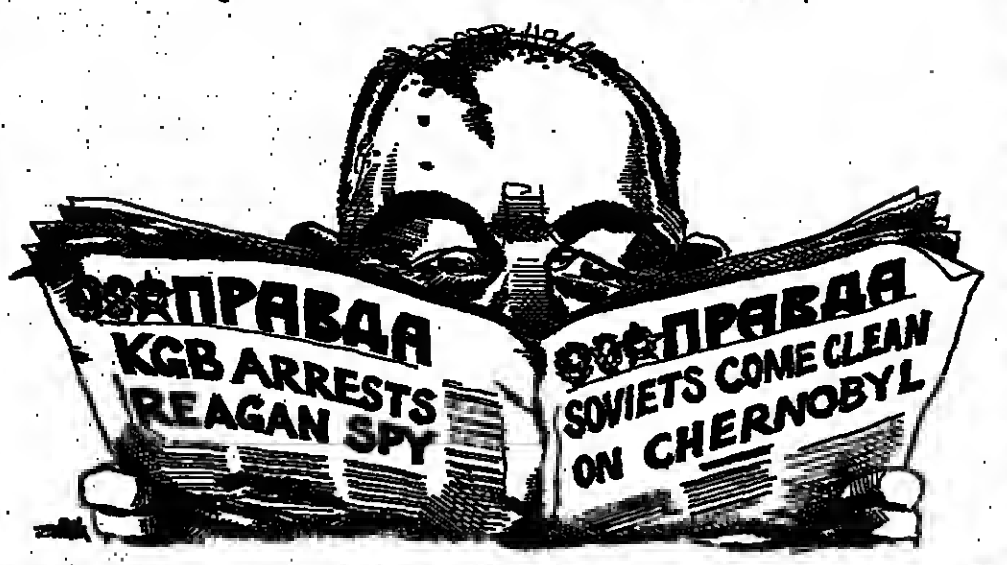
Only when members of the Brighton branch of the Fire Brigades Union rushed in crying "This is a fire alarm" did they agree to leave the premises.

Observer

Mr Gorbachev's open door

Read (nearly) all about it

By Patrick Cockburn in Moscow



LAST SATURDAY Mr Nicholas Daniloff, Moscow correspondent for the magazine US News and World Report, was telephoned by a friend whom he had met four years before in Soviet central Asia. The friend, a teacher, suggested they meet.

Mr Daniloff, due to leave Moscow this week after five-and-a-half years as correspondent, gave the friend several books by Stephen King, the American horror-story writer as a good-bye present. In return the teacher gave *him* an envelope, saying it contained clippings from his local newspapers in the republic of Kirgizia, a useful present for a journalist based in Moscow where the provincial press is often impossible to obtain.

Gifts exchanged, the friend declined to accompany him further and as he walked home Mr Daniloff was arrested by half-a-dozen KGB security police. The envelope, opened in Mr Daniloff's presence in prison, turned out to contain not clippings but two maps marked secret and photographs of Soviet military bases.

The arrest of Mr Daniloff, probably the most distinguished American correspondent in Moscow, appears to be in retaliation for the arrest in very similar circumstances in New York of Mr Gennady Zakharov, a Soviet physicist, working at the UN. Neither has diplomatic immunity.

At first sight the arrest of an American journalist appears contrary to Mr Mikhail Gorbachev's efforts over the past 18 months to improve the Soviet Union's image in the world and to cultivate the Western media. It will obviously sour US-Soviet relations just before Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, his US counterpart, meet in New York to discuss the prospects for a summit this year.

The arrest of *Mr Daniloff* as a spy after a week in which Soviet scientists in Vienna had revealed more about the Chernobyl nuclear power accident than anybody had expected demonstrates the contradictory elements in the *Soviet attitude* towards the outside world. This does not mean that the new openness is insincere but that some, if not all, in the Kremlin feel it necessary *periodically* to demonstrate their toughness.

In the year after Mr Gorbachev was elected, many diplomats in Moscow believed the new openness — *glasnost* in Russian — at home and abroad would diminish as the new leadership established itself. In fact the reverse has happened and the handling of Chernobyl was the crucial test.

For a week after the world's worst nuclear accident on April 26, Moscow's behaviour was a caricature of the Soviet obsession with secrecy.

Mr Roy Medvedev, the Soviet historian, has said that at a politburo meeting two days after the disaster, Mr Gorbachev *himself argued that Government* should reveal what had happened but was overruled by his colleagues. Only as the extent of the disaster, and the impossibility of hushing it up, became evident was Mr Gorbachev able to get his views accepted. Extensive reports began to appear in the Press and briefings were arranged for foreign journalists.

Since then Soviet newspaper editors seem to have become confident that openness is here to stay. Mr Gorbachev has already changed the rules of the Soviet political system by making direct appeals to Soviet public opinion in a way which has not happened since the 1920s. Without this change in Soviet politics it would be impossible for Mr Gorbachev to appeal to international public opinion as he has done since he first visited London in December 1984.

This is all very different from the early 1970s when Mr Brezhnev and Mr Gromyko, the Foreign Minister, preferred to handle detente through secret negotiations with President Richard Nixon and Dr Henry Kissinger, his Secretary of State. This eighteenth-century style diplomacy was clearly vulnerable to shifts in Western public opinion which Moscow made little attempt to influence at any level.

It is this aspect of Soviet foreign policy which Mr Gorbachev and the men around him have changed. Three changes are notable:

● Mr Gorbachev looks good on television. He is the first Soviet leader to do so (Mr Brezhnev is not a hard act to follow) and this is largely responsible for the better Soviet public image in Western Europe and beyond.

● By taking the initiative in nuclear arms control in the way Mr Brezhnev never did, Mr Gorbachev has been able to present the Soviet Union as more accommodating and flexible than in the past.

● By holding press conferences, appointing official spokesmen and giving briefings, the Soviets have put themselves in a stronger position to present their case.

Too much can be made of the latter point. "Remember," a Soviet journalist warned me in May 1984 just before I came to Moscow, "no Soviet official ever lost his job because he refused to talk to a foreign correspondent." This grim little piece of advice still holds largely true, but senior decision-makers now give briefings to the foreign press in a way which never occurred before.

This is useful but much the most important source of information for a foreign correspondent in Moscow is the Soviet press. The fundamental changes which have taken place here are of far greater significance than the cultivation of public relations techniques by the Soviet foreign ministry.

"We spend all our time reading the newspapers" says a Muscovite woman in a tone of surprise and excitement. She points to an article in the Communist Party daily Pravda made up mainly of critical letters from Chernobyl refugees.

Such articles in a paper like Pravda, with its circulation of 10m, tarnish the gloss of official accounts of an orderly evacuation and resettlement of refugees from the Chernobyl area. Even more surprising was the publication earlier in August of a series of articles in an Estonian newspaper which described how a group of Estonian military reservists clearing up at Chernobyl had gone on strike *in June when their tour of duty* was suddenly extended from two to six months.

Other recent articles in the Soviet Press have included:

● A piece in Moskovsky Komsomolets describing how Smolensk Square, the small triangle of parkland in central Moscow immediately in front of the foreign ministry and close to the Belgrade Hotel, had become a centre for black marketeers and prostitutes. *The main reason for this*, explained the newspaper, was that Smolensk Square is at the intersection of two police districts both of which disclaim responsibility for it, leaving black marketeers "to feel absolutely safe."

● Many newspapers have carried articles on drugs in recent months, a topic previously never mentioned. Policemen are interviewed who discuss the difficulties of cutting off drug supplies when *enormous amounts* of wild hemp grows in the east of the country.

Many of these topics would not have been discussed in the Press a year ago. Articles give fascinating little insights into Soviet life. For *instance*, about 30,000 people are diagnosed as having appendicitis in Moscow every year—some 10,000 find out after the operation that there was nothing wrong with their appendix.

Not only do newspapers tackle subjects previously off limits but there are increasing signs *that* broad *political* issues are being fought out in the Press. These include a massive scheme to divert water from lakes and rivers in the north of the *country into the Volga*—a project which the Politburo cancelled last month, citing public opposition.

At the same time the Politburo abandoned a project, already under way, to build a vast monument in Moscow to commemorate the 1945 Soviet victory over Germany. To this end *a 330-acre park had* been appropriated and the hill where Napoleon waited in vain in 1812 to receive the surrender of the city flattened. At the centre of the park, *a 230 ft high statue* was to have been erected, an object described by Mr Andrei Voznesensky, a distinguished poet, as "one of the most cheerless and talentless monuments in the world." It is now being redesigned.

The Soviet Press was always slightly more revealing than it was given credit for in the West. The fact that the Supreme Soviet and other nominally representative institutions have only rubber stamp authority has always meant that debate is displaced sideways into newspapers which have enormous circulations and power.

But the campaign for more openness under Gorbachev has done more than just limit secrecy. Access to knowledge has ceased to be an attribute of leadership and is increasingly seen as the right of a citizen. This in turn is changing the relationship between the state and Soviet society from the mould which was formed in the early 1930s.

International monetary reform

Why it is no more than a noble-sounding goal

By John H. Makin

THE US should forget about international monetary reform. That noble-sounding goal is just code for movement towards fixed exchange rates, and there is clear evidence that Japan and West Germany *are not ready* even to consider the degree of policy co-ordination necessary to keep exchange rates stable. The inconsistency between inward-looking economic policy and fixed exchange rates was clearly demonstrated 15 years ago, and it is hard to discern any basic change since then.

In August 1971 the US decided that the time had come *to regain a trade balance surplus* and break the 38-year-old tie between the dollar and gold at $35 per ounce. The result was extreme exchange rate volatility *during the* autumn of 1971. Claiming to be horrified by volatile exchange rates but actually fearful of the effect of the sharp dollar depreciation on their ability to export, most of Europe and Japan pressed for a quick return to fixed exchange rates.

They got their wish in the Smithsonian Agreement which repegged exchange rates at levels consistent with a modest 8.5 per cent dollar depreciation against other major currencies. President Nixon termed the December 1971 repegging exercise "*the most significant* monetary agreement in the history of the world." Fourteen months later in March 1973, it collapsed.

In 1985, the US was beset with concern about its budget *and trade deficits, two sides* of the same coin. The Gramm-Rudman-Hollings law initiated an attack on the budget deficit. By mandating a sharp reduction *in national dissaving*, the attack on budget deficits will, if successful, also reduce the trade deficit. Meanwhile, the prospect of tighter US fiscal policy has resulted in a *sharp* depreciation of the dollar against other major currencies.

Once again, as in 1971, the cries about undesirable exchange rate volatility have masked the real concern abroad. A weak *dollar* threatens the strategy of export-led growth of the US major trading partners.

Mr James Baker, Treasury Secretary, has not turned a deaf ear to the calls for a new monetary conference. But he has wisely resisted a rush to judgment on the advisability of repegging exchange rates. He has apparently discovered the basic truth about a system of *fixed exchange rates. It is* impossible without a high degree of pre-ordained, compulsory co-ordination of national monetary and fiscal policies.

What would current world economic conditions dictate *about policy* measures in the US, Japan and West Germany, if exchange rates were pegged? The US has a weak economy and a weak currency. The obvious prescription, were the *federal* budget deficit not running at $220bn for the current fiscal year, would be easy fiscal policy which—as became obvious in 1982-84—strengthens both the economy and the currency. But

> Mr James Baker has wisely resisted a rush to judgment on repegging exchange rates

one of the costs of having run a large budget deficit for the past half decade is to limit room to manoeuvre toward an exchange rates target, particularly with a slowing economy. With US fiscal policy on the rigid contractionary path mandated by the *Gramm-Rudman-Hollings* law, an exchange rate target forces tight money. But tight money is contrary to the domestic goal of expanding the economy.

Japan, on the other hand, faces no such policy dilemma. It has a strong currency and a weak economy. Its first quarter annual real GNP growth rate was *minus* 2.1 per cent. Prices are falling about 1 per cent annually. The obvious prescription, especially in view of the US dilemma, is easier money. The Bank of Japan is resisting further ease that would be signalled by a drop in the discount rate from 3.5 per cent to 3.0 or 2.5 per cent. Reasons include fears of repeating the late 1970s inflationary cycle and reluctance to *stimulate further* the current Tokyo real estate boom. Backward-looking and strictly inward-looking criteria such as these are proving damaging to prospects for continued world economic expansion. They certainly *do not suggest* that Japan is ready to accept the degree of policy co-ordination required for fixed exchange rates.

The situation in West Germany is similar to that in Japan. Real GNP growth was virtually flat in the first half of 1986. Wholesale and consumer prices are falling. The currency is very strong but unemployment is 9 per cent. The Germans, therefore, resist the obvious easy money prescription on domestic grounds tied to dubious forecasts of higher growth in the second half of 1986 and domestic labour market bottlenecks. Their attitude *towards* US pressure for easier money is self-righteous and inward-looking. Their view seems to be that they have got their own house in order and are not about to take any *risks* for the sake of the world economy. That attitude threatens any effort to stabilise exchange rates.

Mr Baker cannot have failed to notice that the necessary, demand-contracting adjustment of US fiscal policy—undertaken after persistent badgering by Japanese and German policymakers—has not resulted in any offsetting expansionary measures abroad. In the light of this he may decide to rethink *his May 13* declaration that the dollar has depreciated enough. He may also be thinking that the US' trading partners are not ready for a new monetary system wherein the goal of stabilising exchange rates is doomed to failure by an absence of policy co-ordination. The world economy can do without another "most significant monetary agreement in the history of the world" that everyone knows will not last.

The author is director of Fiscal Policy Studies at the American Enterprise Institute in Washington.

Letters to the Editor

Standards in UK markets

From the Executive Director, Scottish Financial Enterprise.

Sir, — Scottish Financial Enterprise is a new private sector initiative to promote, throughout the UK and internationally, wider awareness of the range and quality of expertise within the Scottish financial community. Its members are important independent players in the UK financial services sector and are committed to contributing to the continuing development of the UK as a major international financial centre.

Standards in the Square Mile, therefore, are of vital concern to SFE and its members and an article under that title (August 29) calls for comment. It is not clear whether the writer intended to threaten or to reassure.

The threat is contained in reminders of historical episodes when legislation followed some more extreme examples of the triumph of self-interest over self-discipline. The sentence "Club rules are no longer adequate" carries the hint that externally imposed statutory regulation may be inevitable.

But the piece closes with the apparently reassuring reflection that "it is business conditions rather than standards of morality which have led to the changes." This seems to imply that any current criticism of the players in UK markets is misplaced because they can't be expected to preserve the stuffy old standards of yesteryear. That would be a deeply disturbing message.

The traditional standards of UK markets sought to preserve an ideal of fair dealing. That ideal involves two essential elements: equality of opportunity of access to information, and certainty as to the conclusion and conditions of contract.

It would be a sad irony if technological developments which extend the availability of information were to be abused by lack of care about the quality of information now so readily disseminated. Confidence that a bargain has been struck and certainty as to its terms are fundamental to the orderly operation of any market. It is on precisely these characteristics that UK markets developed their international prominence.

If it is true (as your contributor suggests) that "business conditions create their own standards of morality," we must ensure that the new conditions do not breed acceptance of standards of conduct which will damage international perceptions of the advantages of dealing in UK markets or of seeking independent advice here. Certainly, the Scottish financial community is anxious that those who have to develop and discipline appropriate standards of conduct discharge their obligations to preserve basic ideals and principles.

Integrity and independence have served well those who have dealt with the Scottish financial community, and these continue to be articles of faith of SFE and its members. They would be saddened to see any decline in standards in the Square Mile.

Jack C. Shaw,
PO Box 163,
27, Abercromby Place,
Edinburgh.

Class one circulars

From Mr P. Challens

Sir,—George Robertson MP (August 28) expresses righteous indignation over Guinness's actions by failing to keep just one of many promises made in what he terms "a class one circular," and Mr Saunders word is never to be trusted again.

To the electorate of this country pre-election party manifestos are "class one circulars" and we all know how many promises made in these fail to materialise when "a better understanding of the circumstances" is achieved once in power.

Mr Robertson is also a constant critic of the Government for actually keeping to its class one circular promise. Guinness shareholders not only had a vote but could also exit, in this instance, at a profit. Not so the poor electorate.

Peter Challens,
Pembridge, Lynx Hill,
East Horsley, Surrey.

Destruction of hedgerows

From Mr M. Ashmole

Sir,—I find it hard to understand that the current yardstick (your editorial "Politics of conservation," August 29) for the alleged lack of attention to wildlife interest in this country is the destruction of hedgerows. In the timescale that one considers wildlife habitats, hedgerows are a new phenomenon and are unique to the British Isles. In fact it is hard to think of a more unnatural environment, and one could imagine the furore if today it was suggested a gridiron of hedgerows should be imposed on our open uplands.

What hedgerows are able to demonstrate is the ability of the British flora and fauna to adapt to a new and unnatural environment. A current parallel is "the British motorway system," which as a wildlife refuge and habitat must have gone a long way to compensate for the loss of hedgerows.

Similarly, the new conifer forests, which from your editorial could be assumed to be something alien to the British countryside rather than the natural climax vegetation of a large area of upland Britain, are already demonstrating their ability to create enhanced wildlife habitat.

The greatest disservice we could do to our natural flora and fauna would be to create the zoo mentality — suppressing natural evolution and adaptability, an opportunity which must be at the basis of any natural law.

Michael A. Ashmole,
Fountain Forestry,
Isla Road, Perth.

Support for farmers

From Mr C. Smedley

Sir,—Mrs Maynard asks (August 23) "why treat the farmers so cruelly." As a farmer's wife she thinks that "farmers deserve all the support in the world."

As a consumer of food, as is, I believe, everybody else in the world, I think that farming has enough of an advantage over most other economic activities. An ever expanding and continual demand for your products must be every producer's dream.

But had Mrs Maynard travelled across North America with me recently, she might recognise that some parts of the world have a natural advantage in the production of cereals or livestock. Had she moved further around the globe she would find farmers in Australia, New Zealand, Indonesia, India and South America apart from those in Europe. Do any of these deserve all the support in the world? No, they and any other entrepreneurs who wish to supply that ever expanding demand for food deserve only a free, unsubsidised and competitive market. Then we, the consumers, can eat in the certain knowledge that the world's natural advantages of different soil types, hours of sunshine, inches of rain and hours of labour have been harvested to man's best ability.

Charles Smedley.
18 Alderbrook Road, SW12.

The property cake

From Mr C. Walls.

Sir,—I would like to reply to Mr Newsum's (August 15) and Mr Walters' (August 21) comments on my article on the invasion of the property world by the financial world.

Far from being surprised at the low quality of the property profession's investment advice (as Mr Newsum alleges), I have been making similar criticisms for the past 10 years or so. I am surprised however (indeed astonished) at Mr Newsum's argument that "surveyors never pretended that they were strategic investment advisers" (I assume vis à vis property). *Surveyors* certainly have not given worthwhile strategic property investment advice, but this has not stopped them from pretending that they did. The rest of Mr Newsum's letter, where it is not misinformed is simply downright silly.

Mr Walters' letter, unfortunately, is even worse. At no stage in my article did I argue that financial organisations are buying residential agents because of the property profession's failure to deliver strategic advice. I would suggest that Mr Walters reads the article that I actually wrote as opposed to the article he imagines I wrote. As for the rest of his letter, I am afraid that the comments I made on Mr Newsum's letter must apply, only more so.

Mr Newsum and Mr Walters, in their failure to understand the real nature of the threat *facing the property profession*, display a parochial lack of foresight. If they are in any way representative of the property profession then that profession has even bigger problems than I thought it had.

C. J. B. Walls,
5b St John's Wharf,
104-106 Wapping High Street, E1.

Reforming accountancy

From Mr N. J. R. Mullan.

Sir,—In your article on the proposals for reforming the accountancy profession (August 27), you stated that "civil servants ... are positively chirpy at the thought of sparking a public debate" and that "Michael Howard is similarly minded."

Would anyone give me odds on Mr Howard adopting a similar attitude towards the reform of his own profession?

N. J. R. Mullan,
Flat 6,
69-71, St George's Drive, SW1.

FINANCIAL TIMES
Wednesday September 3 1986

Tim Coone assesses this week's critical talks on the Argentine economy

Tough test for Buenos Aires debt battle

AFTER a turbulent month, the Argentine Government faces two further critical tests this week in its battle against inflation and the burden of foreign debts.

Mr Jose Machinea, the new head of the central bank, and Mr Mario Broderson, the Finance Minister, will begin talks in New York on negotiating a new standby agreement with the international monetary fund and on the refinancing of $1.2bn in interest payments falling due from the end of this month.

In Buenos Aires, Mr Juan Sourrouille, the Economy Minister, and Mr Hugo Barrionuevo, the Labour Minister, will try to persuade the trade unions to accept the new package of austerity measures announced at the weekend.

Positive results from both sets of talks will be vital if confidence in the economy is to return. The Argentine public is now once again mesmerised by the return over the past two months to an annualised inflation rate of approximately 150 per cent. The future of the Government's economic stabilisation strategy, the Austral Plan, launched 14 months ago, hangs in the balance.

The trade union federation, the CGT, has already fired its first warning shots. "Time and patience have run out," said its communique. "The CGT will not accept the prolongation of the hopeless and useless sacrifice of the Argentine people." Mr Saul Ubaldini, the CGT leader, said the Austral Plan had already reduced the level of real wages by 27 per cent.

Wages are likely to have to bear the brunt again, however. Mr Sourrouille's deflationary package includes steady devaluations of the austral, which has been officially devalued by 6 per cent against the US dollar in the past nine days; increases in charges for gas, electricity, and transport and no compensation for the inflationary erosion of wages during July and August – thought to be in excess of 20 per cent.

Mr Sourrouille will clearly need all the persuasive power he can summon, if Argentina is to avoid being plunged into a wave of labour unrest before the end of the year.

He will adopt at two-pronged approach, promising the unions a return to free collective bargaining next year and an end to the wage controls practised since the launch of the Austral plan, and appealing to them to remain at work while the debt talks are continuing.

JUAN VITAL SOURROUILLE

A return to free collective bargaining has the added advantage for the Government of shifting the focus of union militancy on to the private sector, where profits and losses, rather than government decrees, will determine wage levels.

Argentina's strategy at the New York debt talks is likely to focus on interest rates. The average rate paid on Argentina's $50bn debt is 9 per cent, according to Mr Juan Sommer at the Economy Ministry. "We are looking more at the possibility of a reduction in interest rates as a way forward out of the debt crisis, rather than an increase in the total debt burden through refinancing the interest payments," he said.

Officials believe Argentina could reasonably be expected to pay a rate in real terms of 2 per cent. Given an average 2 per cent annual inflation in the main OECD creditor countries, this would imply an interest rate of around 4 per cent, or 2 per cent below the existing London inter-bank offered rate.

Mr Sommer is also accompanying the negotiating team to New York. Surprisingly, Mr Sourrouille made no direct mention of a reduction in interest rates in his weekend speech, instead warning Argentina's creditors that they can expect to face demands to reduce their spreads on the renegotiation packages, to accept refinancing on a multi-annual basis, and to lend fresh money beyond that required simply to pay back interest.

The big US banks hold approximately 40 per cent of Argentina's foreign debt, and any major concession on interest rates might well create substantial problems with their shareholders, especially those that already face difficulties.

Such concessions are likely to be firmly resisted and Mr Sourouille's failure to mention them in his weekend speech is clearly a conciliatory signal.

The Argentine negotiating team will point to the country's problems with foreign exchange earnings, expected to be down $1.5bn on 1985, due primarily to the loss of markets and lower prices for cereals and beef, Argentina's main exports.

At the same time, officials will say, Argentina is trying to reduce its dependence on commodity exports.

Approval expected for Elders' Allied bid

By Lionel Barber in London

THE UK Monopolies Commission report into the controversial £1.8bn ($2.5bn) bid by Elders IXL, the Australian company, for Allied Lyons, the UK food and drinks group, is expected to be published today, ending a nine-month investigation by the competition authorities.

Market analysts forecast yesterday that Elders will be given the go-ahead subject to certain conditions being met on the financing on the proposed acquisition. Concern about the high level of gearing and bank finance involved was one of the major reasons for the government ordering a Monopolies Commission reference.

But it is unclear whether Mr John Elliott, Elders chairman, will proceed with the bid. Allied is close to an agreement to buy at a cost of about £600m a majority stake in Hiram Walker Spirits, the Canadian drinks company. The move, bitterly attacked by Elders, would make Allied more difficult to swallow on the grounds of size.

Allied shares closed at 353p, down 2p on the day, valuing the group at nearly £2.4bn. The fall in Allied shares reflected uncertainty about Elders' ability and willingness to renew its bid, analysts said.

Elders has also been reportedly interested in buying Courage, the brewing group controlled by Hanson Trust following its successful £2.6bn takeover of the Imperial Group earlier this year. The price would be more than £1bn.

During the past five weeks, Allied has held talks with Gulf Canada, which won control of Hiram Walker Resources last April shortly after the previous management reached an agreement to sell its wine and spirits division to Allied.

Since then, Allied and Gulf, which is 80 per cent controlled by Olympia and York, a real estate and resources company controlled by the Reichmann family, have been fighting through the Canadian courts for control of the liquor arm of the group.

Though there is as yet no formal agreement between the two sides, a compromise proposal is under serious discussion and an "understanding" reached, according to observers close to the talks.

Under the deal, Allied would assume majority control of the division which trades under the name Hiram Walker Gooderham & Worts.

See Lex

N-power row threatens Rome coalition

BY JOHN WYLES IN ROME

ITALY'S nuclear power plans and the new five-party coalition Government's fragile unity have been put in serious jeopardy by calls from Socialist party leaders for a non-nuclear energy programme.

This initiative, led by Mr Claudio Martelli, the party's vice-secretary, is a direct result of last week's decision by West Germany's Social Democrat Party to phase out nuclear power if it wins next January's general election.

Returning from the SPD congress which he attended as a fraternal delegate, Mr Martelli has created a political uproar by forecasting that the Italian Socialist Party should take a similar position at its congress next spring.

"We are fortunate in Italy that, without intending to, we have fallen behind in carrying out a nuclear plan. Now it does not make much sense in starting to build nuclear plants. I believe the next PSI (Socialist party) congress will take this decision," he told the magazine L'Espresso.

Until now all the main Italian parties have been reluctant to take a directly hostile stand to nuclear power in the wake of the Chernobyl disaster. Mr Martelli and the Socialists are now being accused of upsetting the coalition's agreed "period of reflection" which is supposed to run until a national conference of nuclear experts is held in December. This is supposed to advise on the future of a nuclear power industry which, in comparison with France, Britain and West Germany, is still embryonic.

Italy produces little more than 3 per cent of its national energy requirements from three nuclear power stations. A fourth plant is under construction and three others firmly planned.

It is being assumed that Mr Martelli would not have made his surprising announcement without the approval of the Socialist Premier, Mr Bettino Craxi. Mr Craxi's head has since remained firmly down, although his office did issue an unattributed statement that changes in government policy must wait upon the national conference at the end of the year.

But other governing parties are highly suspicious, and see Mr Martelli's initiative as a pre-emptive strike to harvest votes from post-Chernobyl fears and a growing pre-occupation with environmental issues.

The Communist Party, in particular, could be seriously outflanked. To paper over its internal divisions it is calling for a national consultative referendum on the future of nuclear power.

The largest coalition party, the Christian Democrats, is publicly outraged at the Martelli statement and privately suspicious that Mr Craxi may yet be manoeuvring towards early elections next year instead of honouring his agreement to hand over the premiership to a Christian Democrat next March.

Jettisoning the nuclear option would leave Italy almost totally dependent on imported energy. Oil accounts for nearly 60 per cent of the country's energy needs and further diversification could involve purchasing more electricity from France – more than 80 per cent of which is produced from nuclear plants.

S&P puts GM debt on 'creditwatch'

BY ANATOLE KALETSKY IN NEW YORK

THE MEDIUM and long-term debts of General Motors, the largest US carmaker which last week announced a costly programme of subsidised consumer financing, have been placed on "creditwatch" by Standard & Poors, one of the leading US credit rating agencies.

The debts affected, which total $23bn, are being examined to evaluate the "negative implications of GM's deteriorating earnings performance" for its credit standing, S & P announced yesterday.

The creditwatch procedure does not necessarily lead to a downgrading of a company's debts, and GM's debts will retain their present ratings until S & P's analysts complete their review.

However, the S & P announcement, which referred to GM's "struggle to maintain volume sales and market share" and the fact that it had "failed to reduce costs or generate major successful new products" is bound to be an embarrassment for a company which is still synonymous for most Americans with financial solidity.

The issues placed on creditwatch include all the senior debts and preferred stocks of General Motors itself plus the senior and subordinated debts of General Motors Acceptance Corporation (GMAC), the company's consumer financing arm. However, GMAC's large volume of commercial paper and short-term debt is not affected.

At present, GM and GMAC senior debt is rated AA+ by S & P and the subordinated debt carries an AA rating. GM lost its top rating of AAA in November 1981. The company's commercial paper continues to carry S & P's top rating of A1+. S & P's policy is to apply this top rating for all the short-term debts and commercial paper of any company whose long-term securities are rated as AA– or higher.

Amstrad unveils new computers

Continued from Page 1

strad would show that it had the marketing muscle, engineering depth and component sourcing capabilities to sell high volumes of cheaper clone machines at a time when the large computer companies already recognised they could "no longer foist high-priced machines on the public."

Industry observers gave a generally good reception to the Amstrad machines, though there was some scepticism about whether the company could meet its ambitious targets, particularly in the US in the face of IBM's moves yesterday.

However, Amstrad has a record of achieving large sales by undercutting prices in other markets.

Mr Sugar said he expected the new machines would be bought by large companies, as well as by smaller business which had never used a computer before.

Singer marketing company floated

BY ALICE RAWSTHORN IN LONDON

EUROPEAN Home Products, spun off from Singer in the US last year to market Singer sewing machines in Europe, is coming to the UK stock market today in an offer for sale which will value the company at £49m ($73m).

The flotation represents a substantial profit for the group of European institutions which paid the US parent company £17m for EHP in August last year.

The flotation will release 10.75m ordinary shares, or 35 per cent of EHP's equity, at 160p a share. The board expects to produce pre-tax profits of at least £4.4m in the current financial year, with prospective earnings per share of 13p and a prospective multiple of 12.3.

Originally EHP had intended to go public in spring 1987. The flotation was brought forward to redeem £4.4m of preference shares from Singer in the US resulting in autonomy from the parent company.

Mr Douglas Ash, EHP's chief executive, said: "We have gone public much earlier than we had expected. But by severing our last link with Singer in the US we will have the flexibility we need to develop the company."

The Singer name has dominated the sewing machine market since Mr Isaac Merritt Singer invented the machine 130 years ago. However, in the late 1970s, the combination of increasingly aggressive Japanese competition, the textile industry recession and fading interest in home sewing plunged the sewing machine market into decline. Singer in the US turned its attention to the new area of aerospace electronics and its European operation lurched into losses.

In August last year a group of European institutions acquired the ailing European operation. EHP was formed to market Singer sewing products, including the machines, and to run Singer's European retail operation of 360 shops and 1,700 franchises.

In northern Europe the shops concentrate on sewing and knitting products while in southern Europe – the strongest area – the operation retails a broader range of electrical goods.

The sewing machines, manufactured in the US by SMCC, will continue to be marketed under the Singer brand name.

The business returned to trading profit immediately after EHP's formation, "although the recovery had already begun under the US ownership," according to Mr Harry Gittes, EHP's chairman.

EHP has already cut central costs and devolved greater responsibility down to national divisions. A new store concept for northern Europe, Idee, has just been unveiled in the Netherlands, and a new concept for the south, Excel, will open in Italy

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	25	77	Malta	S	29	84	Rangoon	S	27	81
Algiers	S	27	81	Edinburgh	F	16	61	Manchester	C	15	59	Rio de J'o	C	22	72
Amsterdam	C	15	59	Faro	S	29	84	Manila	R	28	82	Rome	S	26	79
Athens	F	29	84	Florence	S	26	79	Melbourne	S	16	61	Salzburg	C	17	63
Bahrain	S	38	100	Frankfurt	C	16	61	Mexico City	F	25	77	San Francisco	F	22	72
Bangkok	F	35	95	Funchal	F	23	73	Miami	C	31	88	Seoul	S	19	66
Barcelona	—	—	—	Geneva	S	19	66	Milan	S	24	75	Singapore	F	31	88
Beirut	—	—	—	Gibraltar	S	24	75	Montreal	—	—	—	Stockholm	—	—	—
Belfast	C	13	55	Glasgow	F	15	59	Moscow	C	15	59	Strasbourg	C	19	66
Belgrade	C	21	70	Guernsey	D	13	55	Munich	C	17	63	Sydney	S	19	66
Berlin	C	15	59	Helsinki	F	16	61	Nairobi	C	22	72	Taipei	F	34	93
Biarritz	S	21	70	H. Kong	F	34	93	Naples	S	28	82	Tangier	S	29	84
Bombay	F	30	86	Innsbruck	F	18	64	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	S	23	73	Inverness	F	14	57	New Delhi	C	34	93	Tenerife	S	25	77
Brussels	F	18	64	Islamabad	F	37	99	New York	C	26	79	Tokyo	S	27	81
Budapest	F	21	70	Istanbul	C	22	72	Nice	S	24	75	Toronto	—	—	—
B. Aires	S	18	64	Jakarta	C	30	86	Nicosia	C	35	95	Tunis	S	28	82
Cairo	S	35	95	Jersey	C	16	61	Oporto	S	23	73	Valencia	S	29	84
Cape Town	S	20	68	Jo'burg	S	19	66	Oslo	F	15	59	Venice	S	23	73
Caracas	S	29	84	Lima	C	19	66	Paris	C	18	64	Vienna	C	19	66
Casablanca	S	25	77	Lisbon	S	28	82	Peking	F	30	86	Warsaw	C	17	63
Chicago	C	29	84	London	F	20	68	Prague	F	13	55	Washington	—	—	—
Cologne	C	17	63	Los Angeles	C	28	82	Reykjavik	S	9	48	Zurich	S	18	64
Copenhagen	F	15	59	Luxembourg	C	13	55								
Corfu	F	28	82	Madrid	S	28	82								
Dallas	—	—	—	Majorca	S	28	82								
Dublin	F	18	64	Malaga	S	26	79								

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Hope for US-Canada farm trade pact

BY NANCY DUNNE IN WASHINGTON

US NEGOTIATORS are hoping to reach a free trade farm pact with Canada to serve as a model for what could be achieved during a new round of multinational trade talks.

According to the US Feed Grains Council, US and Canadian negotiators have already begun preliminary talks, within the more general free trade negotiations, focusing on the removal of all barriers to agricultural trade between the two countries.

The US will give up such sacred cows as the Section 22 waiver, the council said in its recent newsletter. The waiver authorises the imposition of quotas or fees on imports of commodities which are covered by US price support programme.

Last year, the US charged import fees for sugar and quotas were imposed for peanuts, cotton, dairy products and sugar.

"A liberalising bilateral agreement would offer a demonstration to the rest of the world that would enhance US efforts to ensure access for its products through the Gatt (General Agreement on Tariffs and Trade)" the council said.

The council predicted that Canada's marketing boards for grains would present a difficulty in the negotiations. It predicted that Canada would continue to market grain through the boards, but that they would lose some of the powers, like the issuance of import licenses.

Also up for discussion will be Canadian transportation subsidies which have angered American farmers. The Western Grain Transportation Act, which subsidises grain shipments moving west through Vancouver, has been extended to include exports to the US, an action – farmers say has increased Canadian competition with US both domestically and in third country markets.

Meanwhile, the US has been under attack for its own export subsidy schemes. Representatives from 14 nations gathered in Cairns, Australia, last week and agreed to present a united front against export subsidies at the September Gatt meeting in Punta Del Este, Uruguay.

US officials have long called for an end to EEC export subsidies

THE LEX COLUMN

It's a rich man's world

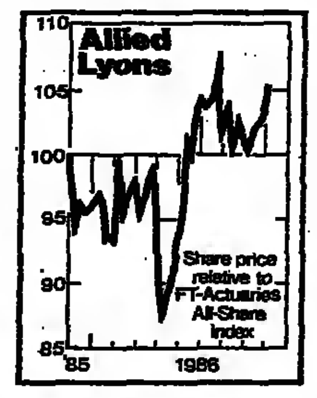
It is a hard life being Exco. It produces a splendid set of interim results, increases the dividend by 50 per cent and the share price rises just a penny to 234p. The point is that the company is still sitting on cash amounting to 150p a share and deals may yet be done which will transform Exco beyond recognition. Having been blocked by the Bank of England in its attempt to merge with Morgan Grenfell, Exco has now been outbid by US banks in its $100m offer for First Options of Chicago. This is Exco's curse. It has what seems like a vast cash pile and does not want to fritter it away on anything less than a major strategic acquisition. But at that level, it runs up against the really big US players.

In the first half Exco's cash earned about £20m, but this sort of return will dwindle, partly because the company will soon have to pay its capital gains on the Telerate sale, and also because most of its high interest gilts mature early next year.

Even if Exco makes £80m pre-tax this year the shares are still at a substantial premium to those of its rivals. But it would be unwise to suppose that a bid premium is completely unwarranted. What if, just for example, Standard Chartered wanted both to improve its capital ratios without an undisguised rights issue and to make itself more indigestible for the still extremely interested Lloyds? Such a deal might also enable Mr Tan Sri Khoo Teck Puat to make a profit on his purchase of a 29 per cent stake in Exco while retaining a management interest through his place on the Standard board. This theory implies a hostile bid, since Exco is opposed to the sale of its money broking activities which the Bank of England would demand in the event of a merger with a bank.

CRA

Those Australian resource companies that thought their US dollar-denominated products provided a hedge against their dollar borrowings have come in for a rude awakening – and none more so than CRA, which borrowed very heavily in dollars when they were 50 per cent cheaper to repay in Australian dollars. In its interim statement yesterday, CRA showed it has at last turned a bear of Australian dollars: it has refinanced A$630m of its foreign-currency debt in the domestic market (where interest rates are high enough) and provided A$183m against the unrealised exchange losses on its dollar debt. In the old days, when CRA charged the unrealised losses above the line RTZ merely wrote them back on consolidating its share. This time, RTZ can only account for a share of CRA's exiguous earnings in a weak currency, or less than half last time.



Allied/Hiram

The Allied-Lyons affair has come to resemble one of those blockbuster television series which has been pre-sold overseas. While the English setting offers scope for the usual fine character acting and production values, the addition of a brash Australian and an immensely rich Canadian dynasty should ensure worldwide viewing.

While the market waits excitedly for the Monopolies Commission verdict on the Elders bid for Allied, Allied itself has been beavering away at its purchase of Hiram Walker's drinks business in the courts and in negotiation with the new owners of Hiram Walker itself, the Reichmann family. Whatever the value to Allied of Hiram Walker's five major brands and its North American distribution network, an acquisition worth over £1bn would have made Allied to all intents indigestible for Elders in its old form.

But Allied's problem is twofold. The market is not enthusiastic about the purchase of Hiram Walker at C$2.3bn, Allied is offering a multiple higher than that Guinness paid for Distillers but without the obvious and immediate benefits to be gained from tougher brand or financial management. Allied would thus be saddled with a large and, initially, inert lump of North American earnings just at the point when it is making decent progress in the UK; and it would need to make an equity issue.

The alternative is to gain the agreement of the Reichmanns whereby litigation is dropped and the business is shared, with Allied wielding management control. The purchase of merely a majority could be financed from debt without starving Allied's remaining businesses of cash. Yet if Elders is still interested in Allied as a collection of branded businesses, rather than as last year's asset play, it will not be put off by half of Hiram Walker; with the help of its new friends at BHP, it could go for very much more.

IMI

Once ICI's in-house metal basher, IMI is now a well-spread engineering company which for the last four years has shown rather more glamorous growth than the market expects from the sector. Half-year profits up from £22.6m to £30.5m continue that trend. But the nagging doubt in investors' minds is where the growth will come from in future. The very diversity of IMI's business gives little scope for brokers to latch on to some product which can make a significant difference to the group.

The policy of adding higher-margin activities and raising the margins on existing business has largely been behind the profit rises of recent years. The City has sufficient confidence in IMI's management not to worry too much about the odd small loss – for instance that in plastic guttering, which has been quickly stemmed – or even the short-term adverse effect on the drinks dispense subsidiary of the US cola wars. The pluses are generously spread around the company. Further acquisitions can be expected, once Martonair is settled in, and IMI has more sense than to branch out too far from its own markets.

However, the murmurings of a flattening of demand, the belief that titanium sales cannot go upwards for ever, the more difficult times for valve sales to oil companies all add up to a profit performance which, though solid, will not justify a leap in the shares' rating. With profits rising this year to £70m or so from £57.8m, the multiple of 10 on the shares at 173p, up 5p yesterday, is giving little away.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday September 3 1986

Suntrust Banks to buy Third National

BY WILLIAM HALL IN NEW YORK

SUNTRUST BANKS, the fast-growing south-eastern regional banking group, has agreed to take over Third National Corporation, the second biggest banking group in Tennessee, in a $747m deal which will create a combined banking group with assets of $24bn.

Suntrust Banks, which was formed from last year's merger of Florida's Sun Banks and the Trust Company of Georgia, is one of the most highly rated banking groups on Wall Street. Although it only ranks 23rd in size, measured by its assets of $18.8bn, the group estimates that, based on Friday's share price, the combined banking group would be the sixth biggest in terms of stock market capitalisation of $3.2bn, ranking behind J.P. Morgan, Citicorp, Bankers Trust, Chase Manhattan, and PNC Financial.

The Atlanta-based Suntrust is in the heart of one of the most attractive banking markets in the US and it has escaped the problems in international banking, energy lending and agriculture which have hurt the performance of some other big US banking groups. Third National, based in Nashville, Tennessee, has assets of $5bn and operates a network of 12 banks and 134 branches in Tennessee.

The two groups said yesterday that the proposed combination was a "logical step forward in the current, rapidly evolving era of regional banking." Mr Robert Strickland, chief executive of Suntrust, said that Third National had "one of the best track records of earnings of all bank holding companies in the US."

"Major developments such as the new General Motors Saturn plant and the American Airlines south eastern hub operation can only mean good things for the economic climate of the state," Mr Strickland said.

Based on Friday's closing price, Suntrust says that it is paying 2.3 times book value for Third National and 13.3 times its estimated 1986 earnings. The price is in line with other recent bank merger transactions. Suntrust is exchanging 1.67 shares of its own stock for each of Third National's 18.9m shares. Suntrust shares fell $⅛ to $23¾ in early trading yesterday and Third National shares rose $1½ to $38.

Third National will continue to be headquartered in Nashville

US GROUP'S $60M FUND-RAISING VENTURE MAY SIGNAL IMPROVEMENT IN SUPERTANKER MARKET

Loews' fleet flotation charts a new course

BY WILLIAM HALL IN NEW YORK

GRAND, PARAMOUNT, Embassy, Capitol, State, Orpheum and Paradise. They could be names of Loews Corporation's famous old movie theatres. In fact, they are the names of a recently assembled fleet of supertankers which Loews, a New York conglomerate, is about to float on the over-the-counter market in the US.

The issue, the stock market symbol of which will be VLCC, the abbreviation for a Very Large Crude Carrier, is believed to mark the first time a brand new shipping company has been floated on the stock market enabling investors to gamble on the volatile world tanker shipping market. Some analysts see the move as a sign that the "smart money," on Wall Street is betting that the sharp decline in the world tanker market, which started in 1974, may soon be over.

Loews Corporation, a conglomerate with $16bn of assets from hotels to watches (Bulova), tobacco (Lorillard) and insurance (CNA Financial), is planning to raise up to $60m through the sale to the public of a one-third stake in its latest venture – Majestic Shipping. The money will be used to refinance majestic and add two more supertankers to its fleet of six ultra large crude carriers (ULCCS) and one very large crude carrier (VLCC).

Lest investors are in any doubt, the front of the prospectus carries a blunt warning that nobody should buy Majestic shares "unless such person is prepared to lose substantially all of such person's investment." Morgan Stanley and Merrill Lynch are co-managing the underwriting of an initial public offering of 3m Majestic shares at an estimated price of between $17 and $20. The issue has already caught the attention of some of the more aggressive Wall Street money managers.

Loews' chief executive, 63-year-old Mr Larry Tisch, is regarded as one of the canniest investors on Wall Street although not all his earlier endeavours exhibited the Midas touch. Last year he helped CBS, the biggest US television network, rebuff an unwelcome approach from Mr Ted Turner, the Atlanta television entrepreneur, and now controls a stake of close to 25 per cent. This has left some CBS executives wondering whether they were rescued by Mr Tisch or whether he plans to eventually take control himself.

Mr Tisch is known on Wall Street as a man who likes to buy when others are selling and Loews' emergence as one of America's bigger shipowners is a classic example of his investment habits.

While Mr Tisch Senior is keeping a watching brief over Majestic, he has delegated the main responsibility for the venture to one of his sons, 33-year-old Mr James Tisch, an executive vice president of Loews. Dr John W. Devanney III, a 46-year old naval architect, has been appointed chief executive and his company, Martingale, is providing the computer programmes which will decide how the company's ships will be deployed. Day-to-day management of the Majestic fleet is being undertaken by Hellespoint Steamship, an affiliate of Parachristidis (UK).

For the last three years Loews has been quietly buying laid-up supertankers at rock bottom prices in a gamble that the long decline in the tanker market will eventually end and tanker prices will rise from their current low levels. As the major oil companies have been shrinking their giant tanker fleets, Loews has been buying the cast-offs at close to scrap value.

It first ventured into the tanker market in December 1983 when it bought two 315,700 DWT tankers for a total of $13.6m.

Loews' biggest acquisition, the 421,681 DWT Grand, which used to be the Esso Deutschland, was bought for $5.5m in October 1985, and last month the company caused a considerable stir in the shipping world when it paid $12m for the former 388,042 DWT Esso Le Havre. Eight months earlier Loews had bought a near identical ship for $5.6m.

To date, Loews' has nearly doubled its money on its gamble in the tanker shipping market. It has paid less than $50m for a 2.5m DWT tanker fleet which is now worth close to $90m although more than half the tankers are still laid up at a cost of about $380,000 per vessel per year.

Last month three of the tankers were chartered on the spot market for the first time but Majestic's preliminary prospectus notes that except for a few brief periods, average charter rates since 1974 have been too low to enable many owners of large crude carriers to cover capital and operating costs. Several owners have gone bankrupt and "there can be no assurance that charter rates will in the future be sufficient to enable owners, including the company, to operate large crude carriers profitably" says the prospectus issued last week.

Industry sources estimate that an oversupply of crude oil carrying capacity will continue for the foreseeable future. Given that the useful life of supertankers has been estimated by industry sources to be as short as 15 years, and the Majestic fleet is between nine and 11 years old, the useful lives of the Majestic tankers could be limited to the next five years. After that Majestic will probably have to spend a lot of money to maintain its ships in operating condition.

Despite the provisos, Loews is betting that the severely depressed tanker market will improve and appears to be gambling that the conventional wisdom in the world tanker market is wrong. If Loews analysis is correct, the tanker surplus will disappear more quickly than expected.

It argues that oil prices are unlikely to return to their 1981 levels in the near term and this is likely to increase worldwide demand for oil and discourage exploration and production in non-Gulf crude oil producing areas. This is likely to result in increased crude oil shipments from the Gulf which will increase demand for the world fleet of large crude carriers which has shrunk from 190.2m DWT to 115m DWT in the last 6½ years.

Majestic is a high risk operation. After the offering, Loews will retain 6m shares or a two-thirds stake in Majestic which it acquired at an effective cost of $32.7m or $5.45 per share. Assuming that outside investors pay $20 a share for the remaining 3m shares, Majestic will have shareholders funds of around $92.7m plus a $20m loan which is under negotiation.

New investors will be paying roughly twice book value to buy into Majestic – a company that has no operating history and is so new that its owners are still looking for a permanent office in the Bahamas. The prospectus notes that based upon an assumed price of $20 per share, the effective average cost of Majestic's large crude carriers to people purchasing shares of common stock is $19.3m which compares with their current estimated resale value of $12.3m.

Eastern Air Lines to shed 1,500 workers

BY ANATOLE KALETSKY IN NEW YORK

EASTERN AIR LINES, the troubled US airline whose bid to merge with Texas Air Corporation was blocked last week by the US Transportation Department, yesterday announced a cost-cutting programme designed to produce savings of more than $180m a year.

The measures came in response to losses of $154.7m which Eastern incurred in the first half of 1986. They will include 1,500 job losses – 442 of them in management positions. The layoffs, which will take effect from the middle of this month, should save $54m.

The rest of the savings would come from "more efficient processes and trimming of elimination of a wide variety of goods and services" used by Eastern, Mr Joseph Leonard, Eastern's chief executive, said yesterday. He added, however, that no immediate actions to cut or alter the routes flown by the airline were expected and that Eastern would not disclose the specific cost reductions contemplated for competitive reasons.

Eastern has already announced plans to suspend from October 1 its daily round trips from Miami to London and to reduce from 53 to 12 its flights out of Charlotte in North Carolina. It has also closed flight attendant bases in Chicago, Puerto Rico and Chile.

A drastic cost reduction programme was widely expected both by Eastern's shareholders and by its 41,000-strong workforce after the magnitude of the company's first-half losses emerged in July.

The management's relations with the unions, which are represented on Eastern's board, have been tense in recent weeks. Until last week, however, it looked as if the surgery might be delayed until the merger with Texas Air took place.

Both Eastern and Texas Air are still hoping to go ahead with their merger if the Transportation Department approves revised plans to counter the anti-competitive effects of the proposed combination.

The two airlines are the principal competitors on the vital New York–Washington and New York–Boston shuttle routes. However, the Government's surprise rejection of Eastern's original plan to transfer some of its shuttle flight slots to Pan American World Airways was seen on Wall Street as a serious blow. As a result, pressure has mounted on Eastern to come up with immediate measures to restore its financial viability ahead of any merger with Texas Air.

Nynex buys United Publishers

NYNEX, the US telecommunications group, has acquired United Publishers for an undisclosed amount Reuter reports.

United Publishers, a Beverly Hills-based directory publishing company, produces 45 yellow pages directories in southern California and the Portland, Oregon areas

The acquisition marks the first time Nynex will publish directories outside the north-east.

Its subsidiary, Nynex Information Resources, publishes 288 directories a year with a total annual circulation of about 27m copies, it said.

Ylvisaker quits as Gould chairman

BY OUR NEW YORK STAFF

MR WILLIAM T. Ylvisaker has resigned as chairman and director of Gould, the Illinois-based company he transformed from a sleepy battery maker into a high-technology group through a series of wide-ranging acquisitions. The group has often been mentioned as a takeover target.

Mr Ylvisaker said yesterday it would be in "the best interests of the company, as well as myself, to retire at this time." He said the move would allow him to devote his energies to acquiring other businesses and establishing an investment banking activity specialising in the many industries in which he had been involved.

Mr Ylvisaker, aged 62, has headed the company since 1967. During his tenure Gould grew rapidly through more than a dozen acquisitions. However, Gould's rapid expansion came to a halt last year when it ran into problems in the semiconductor industry and reported a net loss of $175.7m.

In the first half of 1986 it lost another $110.8m after taking a $130m special write-off to cover cost overruns on certain fixed-price defence contracts.

Following its problems Gould, which has held informal takeover talks in the past with Siemens, the West German electronics giant, has been slimming down its businesses. Last month Gould announced it was putting its important defence systems business up for sale. Analysts speculated at the time that this would make it easier for Siemens to mount a friendly takeover.

Mr Ylvisaker resigned as Gould's chief executive earlier this year and was replaced by Mr James McDonald, aged 46, a former IBM executive who joined Gould in July 1984. Gould's board will consider election of a new chairman at its next regular board meeting.

INTL: COMPANIES and FINANCE

Sime cuts payout after profits slip

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, the diversified Malaysian group, has reported a 27.5 per cent decline in pre-tax profit to 152.6m ringgit (US$59m) for tha year ended June, on turnover which fell 4 per cent to 2.25bn ringgit.

It is cutting its final dividend to 5 cents making a total of 8 cents a share for the year, compared with 13.3 cents previously.

The level of pre-tax profits was boosted by higher interest income, which rose from 10.5m ringgit to 34.1m ringgit.

Profit, after tax and minorities, fell 32 per cent to 59m ringgit, although the group had extraordinary profits of 92m ringgit, compared with 23m ringgit previously.

Despite Sime's strong diversification into property development, tyre manufacturing and insurance during the past three years, the results showed the predominance of plantations on the group's profitability.

Pre-tax profits from the plantation division fell by 55 per cent to 62m ringgit.

The main reason for the plunging plantation earnings was the low price for palm oil, particularly in the second half of the year when prices were barely above production costs.

The tractors division, traditionally the second biggest sector, experienced a fifth successive year of depression. Turnover fell by another 30 per cent to 154m ringgit. However, it managed to report a profit of 3.7m ringgit, compared with a loss of 26m ringgit the last time due to cost savings.

Sime's property, tyre manufacturing and fabrication yard activities in Malaysia were badly affected by the recession, as was the case with tractors.

The bright spots were Sime's operations in Hong Kong and the Philippines.

Consolidated Plantations, a major listed subsidiary of Sime, returned an after-tax profit down from 78.5m to 40.2m ringgit, despite a 50 per cent rise in turnover to 599m ringgit. The results include those of Dunlop Malaysian Industries and Kempas Edible Oil.

CP's final dividend is 8 cents, making 12 cents a share for the year compared with 26 cents previously.

Tractors Malaysia had net profit after tax of 4m ringgit, compared with net loss of 27.2m ringgit. Turnover fell 30 per cent to 160m ringgit. It is giving a first and final dividend of 5 cents a share, compared with 10 cents previously.

Currency losses push CRA into the red

BY KENNETH MARSTON, MINING EDITOR

CURRENCY EXCHANGE losses arising from the weakness of the Australian dollar, coupled with depressed markets for many mine products—notably iron ore—have severely hit half-year results of CRA, the Rio Tinto-Zinc group's 52.3 per cent-owned Australian arm.

The interim dividend is reduced to 3 cents from 5 cents, but the company expects a batter second-half.

Earnings for the balf-year ended June 30, amount to A$60.3m (£24.6m or US$36.8m) or 12.2 cents per share, compared with a restated A$51.4m a year ago. But the latest figures are before a A$183.4m write-off of exchange losses arising from big US dollar loans.

This laaves a net loss for the period of A$125.8m, compared with a profit of A$56.6m a year ago. CRA says that tha write-off has been made in the belief that the Australian dollar is unlikely to recover to above the end-December level—68 US cents—during the average period in which the foreign currency borrowings will be repaid.

Action has now been taken to reduce tha impact of adverse exchange rate movements on dollar debt which is not protected by offsetting US dollar assets. If the write-off had not been made and CRA continued to amortise unrealised exchange losses, there would have been a half-year loss of A$8.8m, it is stated.

Although the weakness of the Australian dollar benefited domestic revenue from sales of US dollar-priced products, their prices remained depressed. Earnings of Hamersley Iron are —normally a mainstay—fell to A$67.3m from A$98.7m in line with lower sales and reduced prices.

Losses on lead, zinc and silver production were compounded by the industrial dispute at the Broken Hill mines, although work has since resumed. Coking coal exports fell by 57 per cent and there was a reduction in the price paid by Japanese customers.

On the other hand, improved results came from Bougainville copper and gold, Commalco aluminium, Pacific Coal and the stake in the expanded Argyle diamond operation. The last-named quadrupled its contribution to A$1.2m which was relatively small because of the time lag between the end-December start of the major phase of production and the subsequent sales therefrom which began in May.

CRA says that its main emphasis is on improving productivity. Prospects for higher metal prices are not encouraging but it is pointed out that revenues will benefit from the lower value of the Australian dollar and "an improved result is expected in the second half."

See Lex

Elscint plunges $92m into loss at seven months

BY ANDREW WHITLEY IN TEL AVIV

ELSCINT, tha Israeli medical equipment manufacturer listed on New York Stock Exchange, has reported the largest loss in Israel's corporate history.

In the seven months from April to the end of October, 1985, audited results released over the weekend show a US$92m loss for the company, which makes sophisticated medical imaging equipment. Full-year deficit to March 31, 1986, is expected to reach $115m, after reduced losses in the remaining months.

Top management was reshuffled last summer as losses rose and Mr Uzia Galil, chairman and chief executive of Elron Electronic Industries, Elscint's parent, ordered audited seven-month results to demonstrata that the company was putting its house in order.

For 1984-85 Elscint reported a first-ever loss of $33.8m on revenues of $132m. However, last October it said it would be revising both the 1984-85 figures to an estimated $38m and those of the previous year, to eliminate research funds incorrectly reported as income.

Sales by Elscint, a market leader in the field of medical resonance imaging equipment, beld up reasonably well in 1985-86 with most going to exports. They are expected to total $120m, compared with $131.7m in the previous year.

Concern had been expressed that earlier published results had not reflected a true picture of the Haifa-based company's financial standing.

The losses reported this week were heavier than forecast, resulting from buge write-offs on inventory, property and good will.

Separately Elron, a high technology holding company, owning 30 per cent of Elscint, has reported a US$12m loss on consolidated sales of $169m for the 12 months to March 1986.

The previous record corporate loss in Israel was the $45m reported by Zim, the national shipping line, for 1984-85.

In the current results season, the worst figures have come from Scitex, another leading high-tech concern, which reported a full-year loss of $13.3m on sales of $132.5m.

Sasol ahead but looks for state support on revenues

BY JIM JONES IN JOHANNESBURG

SASOL, the partially privatised South African oil-from-coal producer, increased sales and profits in the past financial year, but is counting on new assistance from the state for part of its revennes in the current year. The company does not disclose production details, but is believed to produce about two-fifths of South Africa's liquid fuel needs.

Turnover rose to R3.75bn in the year to end of June 1986 from R3.39bn in the previous year and operating income before interest and tax increased to R1.33bn ($529.8m) from R1.04bn.

The company receives a guaranteed price for its product based on world crude oil prices. The rand's weakness, however, provided some protection from the fall in dollar-denominated crude prices, while this year's revenues will be enhanced by a rebata of 3.6 cents per litre on liquid fuels made from indigenous raw materials.

The directors say that the Sasol Two production facility operated above design capacity during the past year. The company repaid state loans of R1.1bn and is placing emphasis on strengthening equalisation reserves.

Attributable earnings after transfers to equalisation funds rose to 102.3 cents a share from 89.1 cents and the total dividend has been raised to 45 cents from 39 cents.

● Sage Holdings, the South African investment and financial services company, suffered a drop in profits for the first six months to June and has warned that it may be unable to meet its target of maintaining earnings this year. Interim pre-tax profit dropped to R 12.3m from R13.9m in the first half of last year and against R30.9m for 1985 as a whole.

First half earnings dropped to 31.3 cents a share from 33.4 cents and the interim dividend has been maintained unchanged

Amcor boosts earnings by 14% to record A$95m

BY ROBERY KENNEDY IN SYDNEY

AMCOR, the diversified Australian paper and packaging group, bas registered a 14 per cent increase in profits to a record A$95.3m (US$58.1m) in the year ended June 30.

The company was expected to come in at the A$95m plus level, especially after the previously-reported 22 per cent improved earnings effort of its 51 per cent-owned Mayne Nickless operation.

Amcor's latest profit was achieved on a 33 per cent rise in sales to a record A$2.4bn. The group has increased the annual dividend from 19 cents to 20 cents a share through the payout of a final 10.5 cents.

Mr David Meiklejohn, Amcor's general manager-commercial, said yesterday the company was confident that its improvement would continue in the current year and believed that tha management of Mayne Nickless was also optimistic about its prospects for 1986-87.

He said all its major businesses had recorded higher earnings in the year, and Australian Paper Manufacturers, its pulp and paper operetion, bad achieved a particularly strong gain.

James Hardie Containers, which was included as a wholly-owned subsidiary from April 1, had increased its sales strongly

FAI Insurances lifts dividend

FAI INSURANCES, wbose interests include 18 per cent of Pioneer Concreta Industries, earned a record A$72.47m (US$44.2m) profit in the year to June 30, writes Robert Kennedy in Sydney. In the previous year, FAI doubled its earnings to A$28.35m.

The company has declared a one-for-ten bonus issue and increased its final dividend from 4.2 cents to 5 cents a share.

FAI now ranks as tha largest general insurer in Australia, baving achieved a 72 per cent increase in non-life premium incoma to A$284.73m in the year.

Earlier this year, FAI declared its intention to bid A$2.75 a share for Pioneer Concrete.

JAPANESE RESULTS

EBARA
Pumps

Year to	Apr '86 Y	Apr '85 Y
Revenues (bn)	229.0	222.9
Net profits (bn)	14.19	3.25
Net per share	62.16	14.6
CONSOLIDATED		

KANEBO
Textiles, cosmetics

Year to	Apr '86 Y	Apr '85 Y
Revenues (bn)	639.83	634.1
Pre-tax profits (bn)	8.15	8.64
Net profits (bn)	0.48	5.42
Net per share	1.02	12.12
CONSOLIDATED		

KYOCERA
Electronics, ceramics

Three months to	June '86 Y	June '85 Y
Revenues (bn)	64.45	74.86
Pre-tax profits (bn)	10.55	14.22
Net profits (bn)	4.69	8.5
Net per share	31.23	43.32
CONSOLIDATED		

INTERNATIONAL APPOINTMENTS

Deere succession issue starts to clear itself

BY WILLIAM HALL IN NEW YORK

DEERE & COMPANY, the world's leading farm equipment manufacturer which recently halted virtually all its US production following a strike at three of its plants, is reshuffling its senior management team.

The moves come during one of the most difficult periods in Deere's history. The company, which is expected to report its first annual loss since 1933, and recently halved its dividend, is struggling to cope with the severe recession in the US farm belt and its successful labour relations record has been thrown into question by a surprise strike after negotiations on a new wage contract broke down.

Mr Boyd C. Bartlett, the company's 60-year-old president and chief operating officer, has announced plans to retire next March 31, after 35 years' service with the company. No successor has been named, but industry analysts expect that the choice will be between Mr Thomas A. Gildehause, aged 46, and Mr Hans W. Becherer, 51. The new president is likely to be the logical successor when Mr Robert A. Hanson, Deere's 62-year-old chairman and chief executive, eventually retires.

Mr Becherer, who has held the post of senior vice president, overseas division, farm equipment and consumer products since 1983, has been appointed an executive vice president with responsibility for worldwide farm equipment and consumer products operations. Mr Gildehaus is executive vice president, corporate staff and administration.

Deere also announced last week that Mr Michael S. Plunkett, a senior vice president responsible for engineering technology and human resources, had been elected a director. Mr Plunkett, 48, joined Deere in 1958 at its industrial equipment works.

On Wall Street, several analysts say that the announcement of Mr Bartlett's retirement and the other appointments indicated that the company is preparing its next generation of top management. Mr John McGinty, an analyst with First Boston, the Wall Street investment house, describes Mr Bartlett is an "extremely competent farm equipment executive," and says that his wish to retire has been well known for some time.

Meanwhile, Deere has reacted sharply to some newspaper reports that the announcement of Mr Bartlett's retirement during the middle of a major industrial dispute reflected a management vacuum at the top of the company. Mr Bob Shoup, a Deere spokesman, said that his company had always been well regarded for the way it handled management transition, and there was nothing unusual about the departure of Mr Bartlett who took over as president 18 months ago. He will remain on Deere's board after his retirement.

Industry analysts suggest that the expanded responsibilities being given to Mr Becherer indicate that he stands the best chance to take over as president. Deere says that his newly created position is "designed to improve the co-ordination and effectiveness of prodnct design, manufacturing and marketing functions in Deere and Company's total farm equipment and consumer products organisation."

Chairman for Guinness Mahon Dublin

BY OUR FINANCIAL STAFF

GUINNESS AND MAHON, of Dublin—a member of the group headed by Guinness Mahon and Co, the London merchant bank subsidiary of Guinness Peat's UK financial services group—has appointed Mr Michael Murphy to the board, and chairman from October 1.

Mr Murphy is a former managing director of Allied Irish Investment Bank and a former director of Allied Irish Banks.

Mr Bruce Ursell, managing director of Guinness Mahon and Co, London, and a director of Guinness and Mahon, Dublin, is to become deputy chairman of the latter, also from October 1.

* * *

GPA GROUP, the Shannon-based aircraft asset management and leasing company, which is 22.6 owned by Guinness Peat, has announced the appointment of Mr Colm Barrington as chief marketing officer. Mr Barrington was formerly managing director of GPA's joint venture company with Midland Bank, GPA Midland, and remains a director of that company.

Mr Barrington's responsibilities will include direction of overseas marketing subsidiaries in London, Hong Kong and Stamford, Connecticut, and the Boeing 737 division. He becomes a member of the executive committee of GPA Group and of the boards of the marketing subsidiaries.

The move reflects GPA's marketing need in relation to orders for 96 new Boeing and McDonnell Douglas aircraft.

* * *

MR STEPHEN M. WOLF, 45, has been elected chairman, president and chief executive of the Flying Tiger Line, the principle operating subsidiary of Tiger International of California, the freight group.

Mr Wolf, who also becomes a director of the parent was president and chief executive of Republic Airlines, now acquired by Northwest Airlines. He was previously president and chief operating officer of Continental Airlines, and also with Pan American World Airways and American Airlines.

Senior changes at Bremer Landesbank

MANAGEMENT board changes at Bremer Landesbank, one of the West German local state banks, have been put into effect from Monday of this week, three months earlier than had been planned.

Dr Peter Hasskamp, 48, has taken over as chairman and Mr Axel Weber, 42, as deputy chairman. Mr Hasskamp has been on the management board since 1984, when he moved to Bremer LB from Westdeutsche Landesbank, where he had been an executive vice president. Mr Weber also joined the managing board in that year.

Dr Gebhard Dirksen retired from the bank on Sunday. He will from this month, at the request of Norddeutsche Landesbank, which owns 75 per cent of Bremer, offer that bank his full service as deputy chairman, a post he has held for sometime.

Moevenpick prepares for new chairman

By John Wicks in Zurich

MOEVENPICK, the international restaurant and hotel group based in Zurich, has announced the formation of a management committee to take over executive control as of January 1.

The restructuring is a further step towards Mr Ueli Prager, the group's founder, being succeeded as chairman by his wife, Mrs Jutta Prager. The committee will initially be headed by Mr Prager as the management chairman. He will also be responsible for the group's production activities, its wine cellars, a project subsidiary, the secretariat and corporate marketing.

Mr Wolfgang Vom Hagen, as head of German operations, the hotel's subsidiary and human resources and development, will act as deputy management chairman, while Mrs Prager is to be responsible for Swiss restaurants, catering systems, international restaurants and franchises, central planning and non-food business.

The fourth member of the committee, Mr Paul Schwizer, will be in charge of finances, controlling, personnel and other central services.

Last year, Mr Prager hed announced the formation of an executive committee consisting of himself, his wife and Mr Vom Hagen. This unit has, he says, been a platform for "preliminary discussions" with a view to initiating Mrs Prager into all sides of the business. The new committee will, on the other hand, take executive decisions.

Mr Prager, who recently celebrated his 70th birthday, has not yet specified when his 43-year-old wife is to replace him at the head of the company.

In a recent statement, however, he said this would take place after "some journeyman years" for Mrs Prager. He said that it was intended to keep the majority shareholding within the family until at least the year 2004, when his children from the marriage with Mrs Jutta Prager will be "in their thirties."

* * *

Mr Frank F. Beelitz has joined Salomon Brothers, the Wall Street investment house, and is to be a member of the management board for corporate finance and administration in the Frankfurt representative office when it opens later this year.

He is to work closely with Dr Peter Coym, a former director of Commerzbank.

Crop of deals in Eurodollar sector

BY CLARE PEARSON

SOVEREIGN and state-backed borrowers concentrated on the "currency" sectors of the Eurobond market, although the Eurodollar market saw a crop of deals for North American borrowers.

The D-Mark market traded steadily but thinly yesterday, and dealers said that investors were waiting on the sidelines for a discount rate cut.

Nevertheless, the European Investment Bank came to the market with a substantial DM 200m 30-year issue meeting a favourable response. Westdeutsche Landesbank led the 6 per cent par-priced deal which was quoted at 99 bid.

Meanwhile, Deutsche Bank arranged a DM 200m private placement for Australia, which will be used to repay an outstanding 8¾ per cent bond which matures in 1987. Yesterday's five-year bond pays interest at 5¾ per cent and is priced at par.

DG Bank co-ordinated a $275m package of privately - placed bonds for the World Bank, issued by the Unico banking group. DG bank itself led the DM 250m seven-year 5¾ per cent par-priced issue. Cera arranged a BFr 2bn eight-year 7¾ per cent-priced issue. Cera arranged a BFr 2bn eight-year 7¾ per cent deal priced at 99¾, while Rabobank led a Fl 100m five-year 5¾ per cent par-priced issue. Norinchukin Bank led a Y5bn seven-year bond paying interest at 5.65, while GZB-Vienna arranged a ASch 400m eight-year bond. Further terms of this deal will be released today.

BHF-Bank issued 100,000 warrants exercisable into a seven-year 6 per cent bond at 100¼. The warrants are priced at DM 25 each, and they traded around this level.

The Eurodollar market traded firmly as New York markets strengthened during the afternoon. New issues for US companies were unaffected by the announcement late in the day that Standard and Poor's, the rating agency, as putting General Motors on "Creditwatch." Outstanding GMAC issues were, however, marked down slightly in late trading.

Chrysler Finance, which has not borrowed in the Eurobond market for some months, launched a $125m five-year bond to a cautiously positive market response.

The deal pays interest at 8 per cent and was priced at 101¾ to yield 155 basis points over comparable US Treasury bonds at launch. Prudential Bache Securities International led the issue, which was quoted at discounts to issue price slightly outside the level of the total fees.

Morgan Stanley launched a $100m seven-year bond for North American Philips Corporation, a sbsidiary of Philips, the Dutch electricals company. The deal pays interest at 8 per cent and was priced at 100¾ to yield about 135 basis points over comparable US Treasury bonds at launch. This bond was quoted at discounts around the level of its total fees.

Merrill Lynch Capital Markets issued 100,000 two-year warrants priced at $19 each exercisable into a Citicorp 8 per cent 10-year bond at par.

Two Japanese companies issued equity related debt. Mitsui Trust and Banking issued a $100m convertible bond led by Mitsui Trust International. The 15-year deal has an indicated coupon of 2¾ per cent (semi-annual) is priced at par. Final terms will be set on 9 September.

Meanwhile Nikko Securities issued a $100m five-year equity warrants bond for Shimadzu, the Japanese precision instruments company. The five-year deal has an indicated coupon of 2⅝ per cent. It traded at about 97¾ on the bid side, the level of its total fees.

Baring Brothers said it was arranging a $50m placement of floating-rate notes due 2001 for Baring Brothers. This is a further issue of $100m notes issued in January.

The Swiss franc market traded slightly more firmly in low volume. Credit Suisse First Boston issued a SFr 200m eight-year bond for Tokyo Electric Power. As expected, its coupon was indicated at 4¾ per cent.

Credit Suisse priced a SFr 100m convertible deal for Seibu Credit, its first issue in the Swiss franc market. The SFr 100m deal pays interest at ⅞ per cent and is priced at par. The conversion price was set at Y2,250, the level at which the stock closed and the exchange rate at Y95.18 to the dollar.

Dome bond prices marked down sharply

By Our Euromarkets Staff

EUROBONDS issued by Dome Petroleum, the ailing Canadian oil company, were marked down sharply in price yesterday following Dome's announcement that it was asking holders to waive principal and interest payments until at least February 1987.

Bonds which had changed hands at prices of around 70 before the announcement were quoted at around 45 yesterday, although dealers stressed that they had traded only sporadically and on a negotiated basis for some time.

Dome's announcement has highlighted the risks of investing in lesser-rated North American borrowers, but had no impact on this segment of the Eurobond market yesterday, or on Canadian bank issues.

Some dealers felt that prices should be quoted without accrued interest, in case investors lost such interest if the terms of the debt rescheduling were not agreed to.

Six French franc issues slated

BY OUR EUROMARKETS STAFF

SIX Euro-French franc issues totalling about FFr 3bn have been approved for issue during September by a committee of bankers and Treasury officials French bankers said yesterday that this schedule represents a return to normal issuing volume of about one issue a week. During August only three issues, totalling FFr 1.85bn, were launched.

September's total includes a FFr 600m deal for Australian Industrial Development Corporation launched on Monday. This should be followed by a deal for the partly state-owned Roussel-Uclaf, the pharmaceuticals company, which Credit Commercial de France is expected to lead.

Eurofima, the European railway financing entity, should be the next issuer and an unspecified French private company should follow. Credit Commercial de France is expected to launch a deal for Finnish TVO Power Company and an equity-linked issue for a foreign borrower should complete the calendar. All five issues should be for about FFr 500m.

No floating-rate notes are expected during September, although two, the first Euro-French franc bonds to be linked to money-market rates, were launched during August. The second of these, a FFr 750m seven-year deal for Statoil, which paid interest at ⅛ point over three-month London interbank offered rate, met an indifferent response.

The floating-rate note sector of the market is, however, likely to expand since French bankers said yesterday that the Euro-French franc committee is expected to consider allowing issues by banks over the coming months. Arrangements for listing deals for foreign borrowers in Paris as well as Luxembourg should also be considered soon.

Swiss engineer raises first-half sales

BY JOHN WICKS IN ZURICH

VON ROLL, the Swiss engineering group, reports consolidated sales of SFr 646m ($394m) for the first half of this year, an increase of 6 per cent over the corresponding 1985 period.

At the same time, new order intake dropped by 15 per cent to SFr 694m. However, this reflects the booking last year of a large single order in connection with an army tank series. Without this orders would have risen by 2.5 per cent.

This year's turnover increase is the result of a 44 per cent sales growth on the part of the machinery and plant division to SFr 207m for the six-month period. At the same time, sales of casting and pipe dropped 3 per cent to SFr 133m, partly because of sluggish pipe sales to the Middle East.

For the full year the parent company expects all divisions, except Monteforno, to show increased profits. In 1985 the group had earnings of SFr 14m following a SFr 9m loss in 1984.

AMP buys 5% of German metals group

By Andrew Fisher in Frankfurt

AUSTRALIAN Mutual Provident Society (AMP), the largest insurance company in Australia, has bought a 5 per cent stake in Metallgesellschaft, the West German metals, chemicals and trading group.

The holding was purchased out of the 9 per cent interest which Daimler Benz was required by the Federal Cartel Office to sell off when it acquired AEG.

Daimler recently sold its stake—held via its 25 per cent shareholding in an industrial investment company, which owns 35 per cent of the metal group—initially to MIM Holdings, the Australian mining group.

MIM, with which Metallgesellschaft is associated in various joint mining and trading activities, has retained a 1 per cent stake and sold the remaining 3 per cent to other large investors.

Among major investors in Metallgesellschaft are Kuwait, with 20 per cent, Deutsche Bank, Siemens, Allianz (the other three holders of the investment company through which Daimler held its stake), and Dresdner Bank.

Metallgesellschaft resumed dividend payments for the last financial year to September 1985, having missed the payout for the previous three years as a result of severe problems in metals manufacturing and mining.

Extraordinary gains lift Gist-Brocades

By Laura Raun in Amsterdam

GIST-BROCADES, the Dutch biotechnology company, lifted its earnings by 11 per cent to Fl 47.8m ($21m) in the first half of 1986 from Fl 42.9m in the year-earlier period on extraordinary gains and lower taxes.

Extraordinary income of Fl 3.8m from the sale of Benkes Distilleries in April boosted otherwise flat operating profits of Fl 66.5m, which compared with Fl 66.8m. Growing competition in yeast and enzymes, the staples of Gist-Brocades' product line, kept profit margins under pressure.

Revenues shrank slightly to Fl 917.2m in the period from Fl 918.3m on a stronger guilder and stagnating sales of the traditional dried yeast, Engedura.

Sharp improvement in net earnings for Montedison

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals energy and pharmaceuticals group which is the second largest private sector company in Italy after Fiat, yesterday unveiled a sharp improvement in its net profit performance for the first half of this year. Consolidated group net profits for the six months to June totalled L227bn ($162m), against L16bn in the first half of 1985.

After adjusting for minority interests, half-year net profits come to L200bn, against a loss of L22bn last year. For all of 1985 Montedison managed L113bn of consolidated net profits, the first surplus after a decade of losses.

The Milan-based group's consolidated turnover, however, showed a drop of 9.5 per cent in the six months to L6,489bn. Total group indebtedness rose meanwhile, from L4,985bn last December, to L5,050.

Mr Mario Schimberni, Montedison chairman, predicted that total debt would fall to L4,000bn by the year end, but this is L1,000bn higher than he was predicting only a few months ago.

Group operating profits in the first half were L877bn against L721bn last year. The group shed 2,309 workers in the six months and had a total workforce of 67,344 at June 30.

The decline in turnover was attributed to the drop in petrochemical prices and the weakness of the US dollar, which hindered exports. Montedison's energy division was the hardest hit, suffering a 26 per cent fall in turnover to L1,280bn. Agro-industrial division sales declined by 24 per cent to L413bn and the petro-chemicals and plastics division had turnover of L1,191bn a fall of 22 per cent.

Tung signs agreement for $120m capital injection

BY OUR FINANCIAL STAFF

C. H. TUNG, the financially hard-pressed Hong Kong shipping group, has signed an agreement with Mr Henry Fok, a Hong Kong businessman, which will lead to a capital injection of US$120m into the company.

The funds, promised by Mr Fok several months ago as part of the Tung group's extensive financial restructuring, will be put towards the new container shipping division and will also help pay for 12 vessels under order from Japanese shipyards.

Trademe, a privately-held company controlled by Mr Fok, is to place US$100m into Orient Overseas (International), formed as a holding company for the container operations. The remaining US$20m will be injected into Overseas Chinese Maritime, a company specially formed to finance the ship purchases.

The agreement signed with Mr Fok, who is widely believed to have financial backing from China, will give him a 35 per cent stake in the new container shipping operation.

A statement from Tung said the funds from Treelane would be paid over once arrangements with Tung's creditors are completed. Tung has been trying to obtain the agreement of its creditors to a plan for the restructuring of the group's debts of some US$2.7bn. A verbal deadline of the end of this month for agreement on the restructuring was understood last night to have been waived.

At the end of July, Tung arranged a US$275m loan from a syndicate of banks in order to finance the ship purchases. These together with the reorganisation of the group into four new divisions, form part of the rationalisation of Tung—Hong Kong's second largest shipping company—envisaged under rescheduling proposals already circulated to creditors.

Obstacles still appear to stand in the way of agreement on the restructuring. Some of the Japanese shipyards building the vessels Tung wants to buy have yet to respond to the company's requests that prices should be reduced.

In addition, Tung still faces legal action by Credit Commercial de France, the nationalised French bank which is a relatively minor creditor, objecting to the terms offered under the draft agreement to unsecured creditors.

Norwegian ship manager sees second-half rise

By Fay Gjester in Oslo

LEIF HOEGH & CO., a Norwegian ship management company, says the profit result of the fleet it manages—owned by several independent ship-owning companies—was slightly lower in the first half of 1986 than a year earlier.

An improvement is expected in the final six months because of better market conditions, particularly for the OBO fleet. The half-year figure, before depreciation, financial charges and profits from asset sales, was $42.4m, compared with $44.4m in first half 1985.

Full-year operating profits are forecast at about $100m, against $88.9m in 1985.

At the end of June this year, the fleet managed by Leif Hoegh comprised 41 vessels, three of which were on time charter for longer than 12 months. This is three ships fewer than a year earlier and reflects the sale of older vessels.

The market value of the June 1986 fleet, including the value of the charters, is put at NKr 2.1bn ($289m) compared with NKr 3.4bn for the larger fleet a year earlier.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on September 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¼ 16	200	104¾	105¼	−0¼	+1¼	9.26
Atlan. Richfield 10¼ 00	250	110¼	110¾	0	+1¼	8.89
Australia Com. 11 95	300	†117½	118	+0¼	+0¼	8.08
Australia Com. 11¾ 00	300	115⅜	115⅞	−0⅛	−0⅞	9.18
BP Capital 9⅜ 94	100	104⅝	104⅞	−0¼	+0¼	8.24
BP Capital 11⅛ 92	150	110¼	110½	−0¼	+0⅛	8.62
Campbell Soup 10½ 95	100	114	114½	−0¼	+0¼	8.20
Canada 9 96	1000	108¼	109¼	0	+0½	7.62
Canada 11½ 90	500	114¾	114⅞	+0⅛	+0⅝	6.71
Canadian Pac. 10¾ 93	100	110⅝	111⅛	0	+0¼	8.56
CEPME 10¼ 91	100	109¼	110¼	0	+0⅝	7.69
Credit Lyonnais 9 91	200	106¼	106¾	+0¼	+0¼	7.23
Credit National 9⅛ 93	150	107⅛	107⅝	+0⅛	+1½	7.57
Denmark Kingdom 7¾ 93	150	100⅛	100⅝	0	+0⅛	7.66
Denmark Kingdom 8¼ 91	300	103⅛	103⅞	−0⅛	+0¼	7.33
Denmark Kngdm. 11½ 92	100	117	117½	−0⅛	+0⅝	7.57
Deutsche Bank Fin. 8 98	110	98½	99¼	−0⅛	+0⅝	8.16
EDC 8½ 92	200	104½	105	0	+0⅝	7.41
EEC 8¼ 96	100	104⅞	104¾	0	+0⅝	7.58
EEC 8⅝ 91	150	105⅛	105⅞	−0⅛	0	7.06
EEC 9⅝ 90	350	107¼	107¾	+0⅛	+0¼	7.34
EIB 10¼ 94	200	112¼	112¾	+0⅛	+1	8.10
EIB 12 95	200	126⅛	126⅝	−0⅛	+0⅞	7.69
Eurofima 7¾ 91	100	102	102½	+0⅛	+0¼	7.18
Export Dev. Cpn. 10 90	100	110⅛	110⅝	−0⅛	+0⅝	6.76
Finland 7½ 93	100	99⅝	100⅛	0	+0¼	7.52
Ford Motor Cred. 10½ 91	150	110⅜	110⅞	0	+0¼	7.91
Ford Motor Cred. 11⅝ 90	300	112¼	112¾	0	+0⅝	7.17
Gen. Elec. Cred. 10¾ 00	200	108	108½	+0⅛	+0½	9.17
GMAC 10¼ 89	200	108⅛	108⅝	−0⅛	+0½	6.75
GMAC 8½ 93	200	103½	104⅛	−0⅛	+0½	7.76
IADB 9⅞ 95	300	112⅜	112⅞	−0⅛	+0⅞	7.91
Liberty Mutual 8½ 96	150	102⅞	103⅜	−0⅛	+0½	8.02
LTCB of Japan 8 91	100	102⅞	103⅜	0	+1⅛	7.25
Merrill Lynch 8¾ 91	100	†104⅝	105⅛	−0⅛	+0⅛	7.57
Mercds.-Benz Cred. 7½ 95	100	99⅝	100	−0⅛	+0¼	7.57
New Zealand 8⅛ 93	150	101⅞	102⅜	0	+0¼	7.83
Pepsico Inc. 7⅝ 93	200	98¼	98¾	−0⅛	+0¼	7.68
Proct. & Gamb. 'A' 9⅞ 92	150	107⅝	108⅛	−0⅛	+0⅛	8.21
Pru Realty Secs. 12⅛ 95	546	118⅜	118⅞	0	+0⅝	8.86
Qantas Airways 10⅜ 95	140	†113⅜	113⅞	−0⅛	+0⅝	8.15
Queensland Govt. 10¼ 95	100	†109¼	109⅞	−0⅛	−1⅛	9.54
Ralston Purina 11¾ 95	150	115	115½	−0⅛	+0½	9.11
Saab Scania 9½ 91	125	106½	107	0	+0¼	7.64
Saskatchewan 10¾ 92	100	113⅝	114	+0⅛	+0¼	7.58
Scandinavia Air. 10⅛ 95	150	111⅝	112⅛	−0¼	+0⅝	8.23
State Bk. S. Aust. 9¼ 93	100	†105⅞	100	−0¼	+0½	8.43
Statoil 10 90	170	109¼	109¾	0	+0⅝	7.15
S. Wales Trsy. 11⅛ 90	150	112⅝	113	−0⅛	+0⅛	7.60
Swed. Exp. Cred. 10 92	100	111⅜	111⅞	−0⅛	+0⅛	7.45
Sweden 8¾ 96	100	106¼	106½	0	+0¼	7.79
Sweden 10¼ 92	250	113½	114	−0¼	+0¼	7.40
Sweden Kingdom 10⅞ 90	200	112⅞	113⅛	−0⅛	+1	6.76
Sweden 11¾ 94	100	118¾	120¾	−0¼	+0½	8.53
Toyota Motor Cred. 8 89	100	103	103½	0	+0¼	6.68
Victorian Rep. 11⅝ 92	100	115¼	115¾	+0¼	+0¼	8.11
World Bank 8½ 16	150	97	97½	+0⅛	+0⅛	8.76
World Bank 9¼ 16	300	103⅜	103⅞	+0¼	+0	8.90
World Bank 9¾ 16	300	107½	108⅛	+0¼	+0¼	8.98
World Bank 10⅛ 95	300	116¼	116½	−0⅛	+0⅛	7.55
Yasuda Trust Fin. 8½ 93	100	103½	104	+0⅛	+1⅛	7.76

Average price changes on day 0 on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 6 94	200	109⅞	110⅜	+0¼	+0¼	6.35
Austrian Elec. Co. 6½ 95	150	101½	102	+0⅛	0	6.24
BMW 5¼ 96	100	93⅞	95⅞	+0⅛	0	6.14
Daimler Benz Int 5¾ 01	500	95¼	95¾	−0⅛	−0⅛	6.22
Dow Chemical 5⅝ 96	300	94⅞	95⅜	+0⅛	0	6.31
Dow Chemical 6¾ 95	300	105½	105⅞	+0¼	+0¼	5.97
EIB 5½ 98	150	96½	96⅞	0	0	5.94
EIB 6⅞ 95	300	105⅞	106¼	+0⅛	0	6.00
EIB 7¼ 94	300	105⅞	106¼	+0¼	+0¼	6.27
Enkort Corpn. 6¾ 95	175	102½	103	0	−0⅛	6.34
Eurofima 6¼ 96	100	101⅞	101⅞	−0⅛	+0¼	6.02
Ex.-Im. Bk. Korea 7⅜ 90	100	105⅜	106¼	+0¼	+0⅛	5.82
Finland Republic 7 92	200	104⅛	104⅞	0	+0⅛	5.96
Hoesch Intl. Fin. 7 95	100	106½	107	0	+1½	6.02
Hydro Quebec 5½ 96	125	95¼	95⅝	−0⅛	−0⅛	6.14
Hydro Quebec 6 16	100	94⅞	95½	−0¼	−0⅛	6.37
IBJ 5⅝ 96	200	96⅜	96⅞	+0⅛	+0⅛	6.09
Ireland 8¼ 92	150	108¼	108¾	+0⅛	+0⅛	6.29
I/S Elsam 6¾ 93	125	100⅝	101⅛	+0⅛	0	6.59
Korea Dev. Bank 6⅛ 93	100	98⅛	98⅞	0	+0⅛	6.86
Mitsubishi M. 3⅜ 89 WW	100	109	109½	0	+2½	0.38
Mitsubishi M. 3¼ 89 XW	100	93½	94	+0¼	+0⅛	5.23
Renfe 7¼ 93	100	106¾	107¼	0	0	6.66
Soc. Cent. Nuclear 7¼ 95	100	102⅛	102⅝	−0⅛	−1¼	6.88
Soc. Cent. Nuclear 8 91	100	106½	106⅝	+0¼	0	6.41
Steweag 5½ 96	100	93⅜	93⅞	−0⅛	−0⅛	6.40
World Bank 7 95	600	106⅛	106⅞	+0⅛	+0⅛	6.02
Yorkshire Intl. 6¾ 01	200	96¾	97¼	0	0	6.57

Average price changes on day +0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅛ 94	130	†103	103¼	+0⅛	−0⅛	4.90
Brit. Land Corpn. 6½ 99	75	*†106	106½	0	+1⅛	5.81
Chrysler 5¾ 96	160	†103	103¼	+0⅛	−0⅛	5.33
Council of Europe 6 92	120	†105	105¼	−1¼	−1⅛	5.02
Creditanstalt 5½ 94	100	†103¼	104	−0⅛	+0⅛	4.92
Deutsche Bk. Fin. 5⅜ 93	100	†107	107¼	−0⅛	+0⅞	4.34
Gen. Occidentale 4½ 94	80	†122½	122⅞	−0⅛	+3⅛	1.57
Glendale F. S. & L. 5½ 95	100	†102	102¼	−0⅛	+1⅛	5.20
Huntara 5⅛ 98	120	†99	99¼	+0½	−0⅛	5.22
Ind. Fund Fin. 5¾ 94	40	†103½	103⅞	+0½	+0⅞	5.20
N. Zealand Steel 5¾ 96	70	†101¼	101½	+0⅛	+0⅛	5.57
Oberos. Kftwk. 5¾ 95	100	†102½	102⅞	−0⅛	+0¼	4.98
Olivetti Intl. 5½ 93	100	†105	105¼	−0⅛	+0⅛	4.78
Pepsico 5¾ 95	130	†104½	104¾	−1⅛	+1	4.58
Phibro-Salomon 5⅛ 97	110	†101	101¼	−1	−0⅛	4.99
Ralston Purina 5⅜ 94	125	†103½	103¾	+0⅛	+0⅛	4.83
Settsu Euro. 0 02	100	†47	47¼	+0¼	−0⅛	5.32
Tokyo Elec. Power 5½ 93	120	†105½	105¾	−0⅛	+0⅛	4.46
Tokyo Metropolis 5¾ 94	80	*†104¾	105¼	0	+0¼	4.51
World Bank 5¼ 94	150	†104½	104¾	+0⅛	+0⅛	5.05

Average price changes on day −0⅛ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	100¼	100⅝	0	+0¼	5.77
Denmark 6½ 96	10	103¼	103¾	0	−0⅛	5.88
Dow Chemical 6⅛ 01	25	98⅝	98⅞	0	−0⅛	6.53
EIB 6⅛ 96	25	102½	105	+0¼	−0⅛	5.74
Province de Quebec 6 98	20	†99¼	99¾	0	−0⅛	6.08

Average price changes on day +0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	200	54⅝	55⅛	+0⅛	+1	13.00
Bremer Ldbk. 12¾ 91 A$	30	98	98½	−0⅛	0	13.22
Fiat Finance 14½ 89 A$	50	100⅞	101¼	−0⅛	+0¼	13.93
GMAC 12⅞ 89 A$	40	98	98½	−0⅛	0	13.61
Landsbk. Rheln. 13 89 A$	30	†97	97½	−0½	−2⅞	14.35
Canadian Pac. 10⅛ 90 C$	75	†102⅞	103⅛	+0⅛	+2⅞	9.41
Chrysler Corpn. 10 91 C$	75	†99⅞	99⅞	+0¼	+5	9.40
Gerstar Fin. 11¾ 95 C$	75	†107¼	107¾	+0⅛	−0½	10.40
GMAC 9¾ 92 C$	75	†100	100½	+0⅛	+4⅛	9.17
Royal Trustco 10⅛ 90 C$	75	†102	102½	+0¼	+1⅛	9.68
Sears Acc. 10⅛ 92 C$	75	†103½	104	+0¼	−0½	9.77
Coca-Cola F. C. 17 90 NS	75	102⅞	103⅛	+0¼	+1	16.01
Denmark 17½ 89 N$	50	†100½	101	−0½	−0½	16.92
Unilever Cap. 17½ 89 N$	50	102⅞	103⅛	+0¼	+0½	16.26
Copenhagen City 9 95 Ecu	40	105⅛	105⅝	+0⅛	−0⅛	8.14
EIB 8⅝ 93 Ecu	100	107⅞	108⅜	+0⅛	−0⅛	7.02
Walt Disney 8¾ 94 Ecu	62	105⅞	106¼	+0⅛	−0⅛	7.65
Honda Mtr. WW 3⅞ 90 Fl	100	†107¼	108¼	0	+1⅛	1.54
Honda Mtr. XW 3⅞ 90 Fl	100	92⅞	93⅛	+0⅛	−0⅛	6.17
Thyssen 7¾ 90 Fl	50	104⅛	104⅝	+0⅛	+0⅛	5.99
Wereldhave 7½ 90 Fl	75	104⅛	104⅝	−0¼	+0¼	6.20
Wessanen 6¾ 90 Fl	50	103⅛	103⅝	−0⅛	+0⅛	5.79
Abbey 11 93 £	50	†104⅞	105⅞	+0⅛	+0⅛	9.88
Australia Com. 11 92 £	40	†103⅛	103⅞	−0⅛	+0⅛	10.21
GMAC UK Fin. 10½ 90 £	30	103⅞	104⅛	−0⅛	+0½	9.27
Imp. Chem. Inds. 10 03 £	100	†98	98⅛	−0¼	+0⅛	10.24
Imp. Chm. Inds. 10¾ 92 £	75	102	102⅛	+0⅛	+1⅛	10.25
Invst. in Inds. Int. 10 93 £	60	†98¼	98⅞	−0¼	+0½	10.35
Leeds Bldg. Soc. 10½ 91 £	50	101⅛	101⅝	−0⅛	+0⅛	10.07
McDonalds 10⅞ 90 £	40	103⅛	103⅝	0	+0⅛	9.64
Nationwide BS 10⅛ 93 £	75	99¼	99¾	0	+0⅛	10.21
NSW Treasury 10⅛ 92 £	50	†102¼	103¼	+0½	+0⅛	9.99
Royal Insce. 10¾ 92 £	60	†101⅛	101⅞	−0⅛	+0⅛	10.34
J. Sainsbury 10⅞ 93 £	60	†102⅛	102⅞	−0⅛	+0⅛	10.35
Trusthouse Forte 11¼ 90 £	50	102⅞	103	−0⅛	+0¼	10.09
World Bank 11¼ 95 £	300	109⅞	110¼	−0½	+0⅛	9.49
CoE 8⅞ 95 LFr	600	†105	105½	−0½	−0½	8.03
EIB 8⅝ 93 LFr	1000	†106½	107	−0¼	+0¼	7.26

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. £ 94	0.08	99.69	99.78	10/10	10.08
Bank of Montreal 90	0.05	100.66	100.75	23/1	5¾
Barclays Bank Perp. 1	0¼§	101.06	101.16	2/1	7.06
Barclays Bank Perp. 2	0¼§	100.66	100.76	14/8	6¼
Belgium, Kingdom of 91	0	100.95	101.15	19/8	6.06
BNP 5¼ 95	0.05	†102.97	103.07	12/1	6.00
Britannia 5 93 £	0⅛	100.08	100.31	8/10	10.19
CCF 5¼ 97	0	99.82	99.92	14/5	6.94
Citicorp 98	0⅛	99.78	99.98	29/8	7.39
Credit Lyonnais 5 00	0⅛	100.95	101.05	12/1	6.81
EEC 3 92 DM	0	100.64	100.04	20/8	4.44
EEC 5¼ 93 Ecu	0.0312	99.92	100.02	30/7	7.46
Halifax Bldg. Soc. £ 94	0.1	100.22	100.46	6/8	10.54
Lloyds Bank Perp.	0⅛	101.04	101.14	9/12	7½
Midland Bank 01 £	0.1	99.91	100.12	7/8	10.60
Milk Mrktg. Board 5 93 £	0⅛	100.23	100.53	26/9	9.94
NatWest Perp. A	0¼§	101.08	101.17	9/1	6.94
NatWest Perp. B	0¼§	101.08	101.29	9/8	6¼
New Zealand 5 97 £	0.07	100.41	100.70	14/8	10¼
New Zealand 5 01	0	100.46	100.49	4/8	6.13
Prudential Corpn. 4 95 £	0.1	100.12	100.44	5/9	9.85
Royal Bk. Scotland 5 Prp.	0⅛	100.89	100.99	11/12	7¼
United Kingdom 5 92	0	100.44	100.51	7/10	7.19
Woodside Financial 5¼ 97	0	100.11	100.34	20/7	6.81
Woolwich 5 95 £	0⅛	99.99	100.09	19/8	10½

Average price changes on day +0.04 on week +0.08

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	274	276	−0¼	8.81
Fanuc 3¾ 98	1/84	7032	219⅝	221½	−5⅞	58.71
Fuji Heavy Industries 3 00	8/85	476	121⅝	122⅝	−5⅞	−4.07
Fujitsu 3 99	5/84	1320	119⅞	120¾	−3	13.47
Marui 3½ 99	7/84	1162	355⅛	357⅛	+0⅛	0.22
Minolta Camera 2¼ 94 DM	2/86	1105	101½	102¼	−0⅝	53.50
Mitsubishi Bank 2⅞ 00	8/85	1768	156½	157⅞	−2¼	8.06
Mitsubishi Elec. 2⅞ 00	3/85	422	176⅞	178⅛	−11½	−4.99
Mitsui Bank 2⅝ 01	4/86	101.9	138¼	139⅞	−0¼	−10.12
Murata 3½ 00	7/84	2398	154½	155⅝	−2¼	25.07
Nippon Elec. 2⅞ 00	1/85	1295	214⅛	215⅞	−11½	137.18
Nippon Oil Co. 3 00	5/85	923	187¼	188¼	−3	−0.05
OKI Elec. Ind. 3½ 99	10/84	805	153⅞	155¼	−2⅞	−2.87
Sanwa Bank 2¼ 00	10/85	1406	152½	154	−0¼	8.04
Sekisui House 3 99	6/84	612	389	390⅝	−7⅞	1.07
Sumitomo Bank 2¾ 00	8/85	2142	185½	187	−0⅝	9.57
Sumitomo Corpn. 2⅞ 99	5/84	593	323⅞	325½	+0½	25.26
Taiyo Yuden 3¾ 00	3/85	1078	†142	143	−3	−4.42
Toshiba Ceramics 3 00	4/85	1794	117¼	119	+1⅛	2.29
Nippon Oil Co. 2⅛ 92 SFr	3/84	1052	†125	126	−10	9.49
Nippon Shinpan 2 92 SFr	3/84	801	†222½	224½	+9¼	22.65
Asics 5 92 DM	12/83	520	138¼	139½	−2⅛	4.97

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

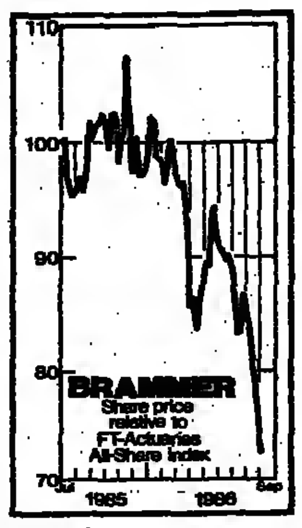
Oil and electronics hold back Brammer growth

DIFFICULT CONDITIONS in the oil sector and the electronic component market held back the first half profits of Brammer to £6.13m — a rise of £420,000 over the corresponding period of 1985.

On the stock market yesterday the shares were marked down 20p in early dealings, but later recovered 10p to close at 283p.

Mr John Head, chairman, said profits from those two sectors were down by £900,000, leaving the operating balance from the rest of the group, excluding rental companies, ahead by 10 per cent.

Trading patterns experienced by the operating companies in the six months had continued into the third quarter, he added.



He continued to be confident of the growth potential inherent in the group's particular specialised sphere of industrial services; enhanced with the addition of the Energy Services and Electronics (ESE) rental companies, acquired in June 1985.

Mr Head pointed out that the 1986 half year had been augmented by profit from ESE, whereas last year included £700,000 operating profit from Brammer Transmissions and Russells Rubber, which were sold in December.

Group turnover for the period came to £51.2m, against £46.6m, and the operating profit worked through at £6.57m (£5.47m). However, there was a net interest charge of £437,000 (credit £237,000) which pulled back the pre-tax profit to £6.13m, compared with increasing it to £5.71m.

Earnings were 9.2p (11.4p) per share on increased capital and the interim dividend is held at 4.5p net, absorbing £1.9m (£1.89m).

ESE electronic equipment rental companies advanced their rental income by over 20 per cent compared with last year, and operating profit increased by 14 per cent after absorbing start-up costs for new ventures in Italy, Denmark, and Switzerland.

Bearing Service, in difficult market conditions, topped the profit achieved last time by further broadening its product range and increasing market share.

The precision engineering division made a slow start to the year and did not achieve the anticipated profit. A substantial improvement was indicated for the second half, tha chairman said.

At Master Pumps and Lion Oil Tool the sharp fall in oil prices severely reduced sales volume. Effective action had been taken to minimise the effect but at current volumes the companies were operating at just below break-even.

The low level of activity experienced by Unitel in the second half of last year continued. Business was still exceptionally competitive in the electronic component market with a further erosion in gross margins resulting in break-even at the operating profit level.

● comment

The market was disappointed with these figures from Brammer and forecasts for the year have been cut by £2m to £15.25m pre-tax, which is only about £1m ahead of 1985's comparable figure. The slimmed-down ESE is doing better than wash its face after interest charges and BSL is ahead but the problems are in the rest of the group's activities. Manufacturing has never been a Brammer strong point and that remains the case. It is also unclear just how Brammer expects to take on the fragmented US oil pumps market successfully or to distribute electronic components profitably when many others are having problems doing so. The shares, down 10p at 283p, have lost all of their takeover speculation shine since Bunzl retired hurt. Any new bidder would have to recognise that distribution is very firmly Brammer's one business, and that therefore to attempt a takeover without managerial agreement would he an error. On the redneed forecast earnings look likely to stall and the prospective multiple is now a more suitably modest 12½.

Wickes soars by 88% at halfway

By Alice Rawsthorn

WICKES, the USM quoted building materials and DIY retailer, announced yesterday that it had increased pre-tax profits by 88 per cent to £2.79m in the first half of the year.

In the six months to July 26, Wickes' turnover rose by 29 per cent to £86.9m and operating profits by 24 per cent to £2.93m. Earnings per share increased from 3.6p to 5.5p, and the directors have declared a net interim dividend of 0.83p a share.

The intensely competitive climate of the DIY retailing sector made it impossible for Wickes to increase prices in the first half of the year. Nonetheless, through tight control of costs it did succeed in improving trading margins.

"We were unable to increase prices, but because of an increase in our volume sales, we were able to go to our suppliers and negotiate for better prices," said Mr Henry Sweetbaum, Wickes' chairman and chief executive. "And as volume sales increase further we will be able to cut costs again."

Most of the growth in Wickes' profits came from the UK division. The Belgian operation sported modest growth in profits, however, while the Dutch division moved into trading profit in the second quarter after a sluggish start to the year.

Although Wickes had a troubled flotation in January—when its offer for sale was undersubscribed—the share price rose to a premium afterwards and has risen steadily ever since. On the result's announcement yesterday, it rose by 7p to 185p.

Since the flotation, Wickes has been criticised for releasing such a small proportion—just 15 per cent—of its equity. According to Mr Sweetbaum, the parent company, Wickes Companies Incorporated of the US, would be willing to release further shares, but for strategic reasons such as an acquisition.

Western Motor profits doubled

PRE-TAX profits for tha slimmed Western Motor Holdings more than doubled in the first half of 1986. However, because of the volatile nature of its business, directors were unwilling to forecast tha full year outcome adding that dividend policy would be reviewed at the year-end.

On turnover up at £5.1m (£4.82) taxable profits came ont at £419,000 against £176,000. The comparables have been restated to take account of the company's reorganisation. The Plymouth-based company is now engaged in transporting vehicles, having withdrawn from the retail motor business.

With no tax charge again, extraordinary dabits down from £88,000 to £26,000 and minorities and preference dividends taking £64,000 (£31,000), stated earnings per share came out higher at 15.78p, against 2.69p last time. There is again no dividend on the ordinary and "A" ordinary shares. The last payment was in 1980.

The directors said the group had continued to trade profitably in the present half. Two further car delivery contracts had been obtained and would contribute to profits during the period.

They added that tha revaluation of tha freehold property resulted in e surplus of £1.2m, representing an increase of 45p per share.

Operating profit came out at £609,000, against £429,000, and the pre-tax figure was struck after lower interest charges of £190,000 (£253,000).

The directors said that litigation, disclosed in the 1985 accounts with the landlord of a leasehold property, had been resolved satisfactorily.

ISSUE NEWS

Singer group comes to market

BY ALICE RAWSTHORN

THE CONTINUING revival of Singer sewing machines is marked today by the publication of the prospectus of European Home Products the company formed to market the machines in Europe.

EHP will join the stock market in an offer for sale which will issue 10.75m shares, 35 per cent of its equity, at 160p a share, valuing the company at £49m.

After the decline of the sewing machine market in the late 1970s, the companies that now form EHP fell into losses through the 1980s. They moved into trading profit in August last year after a group of European institutions acquired the rights to market Singer in Europe from the US parent company.

In the present financial year the directors anticipate pre-tax profits of £4.4m. This produces a prospective p/e of 12.3 on the offer price and a prospective earnings per share of 13p.

The bulk of the profits were made in southern Europe, from Italy, Portugal and Spain, where EHP markets a wide range of electrical appliances as well as sewing machines.

In northern Europe the business was more problematic. Both the British and West German operations ran at a loss in the first half of this year although EHP's chief executive, Mr Douglas Ash, expects both to break even in the second half.

EHP's strategy is to develop a chain of contemporary sewing, knitting and craft shops in northern Europe and a chain of more eclectic electrical shops in the south.

The company will retain £11m of the capital raised. Some £4.4m will be used to redeem two classes of preference shares, the remainder to reduce borrowings and to prepare the company for expansion.

● comment

The decline and fall of Singer reads like an object lesson in how not to cherish a brand name. The US parent company's main mistake was to compound the problems posed by market decline by failing to recognise that a retailing revolution had erupted in Europe. There can be no doubt that the EHP management team has done wonders for the company's cash control. Whether it can do the same for the retail operotion remains to be seen. The problems it faces are enormous: a mature market; lack-lustre bases in the UK and West Germany; and the need to get to grips with concepts like exchange risk management. Yet the rewards are equally high. In many ways it was an odd choice for EHP to float in London. The UK is, after all, its weakest market and the memory of the Clydebank factory closure lingers on. That said, the issue has been priced with these problems in mind. Investors are being asked to gamble on beginners—the management team has no track record and the renaissance of the retail base has ooly just begun—but the potential is enormous, if EHP can get it right.

Creighton for USM with near £5m valuation

BY ALICE RAWSTHORN

Creighton Laboratories, a producer of natural beauty products, is joining the USM. The company is staging a placing in order to raise capital to reduce borrowings and expand its production capacity.

In the placing, through Singer & Friedlander with Stock Beech as brokers, Creighton will issue 1m shares, or 27.3 per cent of its equity, at 130p a share. At the placing price Creighton is capitalised at £4.77m.

Creighton designs, develops, manufactures and packages beauty products which are based on natural ingredients such as flower seeds, herbs, fruit and vegetables.

Tha hulk of its sales come from the retail chain, Body Shop, and natural products gronp, Crabtree & Evelyn. But it also sells own label prodncts to other retailers and has developed its own range of hranded goods.

The company was formed in 1952. But in 1974 was taken over by the retailers Dorothy Perkins, now part of the Burton Gronp. In 1975 Creighton regained its independence through a management buy-out.

At that time Creighton sported turnover of just £150,00. Both profits and turnover have grown steadily through the 1980s, to pre-tax profits of £479,000 on turnover of £3.35m in the year to March 31, 1986.

"We decided to go pnblic because it was time to raise awareness of Creighton in order to increase sales of onr own branded products and to stimulate interest from other potential retail customers," said Mr Richard Collard, the company's chairman.

Newage Transmissions share placing at 75p

BY ALICE RAWSTHORN

Newage Transmissions, a manufacturer of gearboxes and axles, is coming to the USM through a placing which will value the company at £8.79m.

The company was founded in the 1930s, when it traded as PR Motors. In 1966 it was acquired by Charterhouse, then an industrial and financial holding company. In 1984 a management buy-out from Charterhouse created the industrial holding company, Paragon. The following year Newage's management staged a buy-out of its own from within Paragon.

Newage's trading record through the 1980s has heen erratic. In the early 1980s it suffered both from difficult trading conditions and bad debt problems, hut has since recovered to produce pre-tax profits of £782,000 on turnover of £8.63m in 1985.

In the placing, through stockbrokers Capel-Cure Myers, Newage will release 3.5m shares or 30 per cent of its equity at a placing price of 75p. The company will release 1.725m of the shares—the rest will come from Paragon and the directors—thereby raising £1.14m net which will be used to repay a loan from Paragon and to reduce bank horrowings.

"We aim to have paid off all our bank borrowings by mid-1987 and will then be in a position to expand the company," said Mr Douglas Fisk, Newage's chairman and managing director.

"We are keen to move into new product areas in our marine division in particular."

Thereafter Newage plans to turn its attention to acquisitions. According to Mr Fisk, the company is already considering potential purchases within the engineering field.

COMPANY NEWS IN BRIEF

JAMES BEATTIE, the West Midlands retail department stores group, increased its pre-tax profits from £1.62m to £1.82m in the six months to July 31 1986. Sales were higher at £23.46m (£21.26m) and VAT was £2.93m (£2.64m). After tax slightly lower at £851,000 (£863,000), stated earnings per 25p shara rose from 2.1p to 2.54p.

ROBERTSON RESEARCH International has sold a further 750,000 Greenwich Resources ordinary, reducing its holding to 1,288,748 shares (5.9 per cent).

PALMERSTON INVESTMENT Trust is lifting its dividend to 5p net for the year ended March 31 1986 (from 4p) with a final of 4p. Profit £51,000 (£9,000) including rents and charges receivable £711,000 (£598,000) less property outgoings £391,000 (£372,000) and interest and finance costs £221,000 (£180,000). Earnings 6.7p (1.2p) per share. Extraordinary profit £105,000 (£150,000) after tax.

ABBEY PANELS Investments, precision engineering, reported pre-tax profits of £641,000 (£407,000) in the six months to March 31 1986. Turnover increased from £5.09m to £6.53m and earnings per share more than doubled from 7.69p to 15.57p. The interim dividend is 1.2p net, an increase of 20 per cent. The company anticipates a similar performance for the year-end results.

MARLBOROUGH PROPERTIES has received an approach which may or may not lead to an offer being made for the whole share capital. Discussions are at a very preliminary stage and a further announcement will be made as soon as possible.

FLEMING ENTERPRISE said its issua of £6m debenture stock 2011-2016 was successfully placed at a price of £99.281 per £100 nominal.

IMI hits £31m and sees Martonair benefits ahead

A SHARP drop in interest charges and a contribution of £1.7m from recently-acquired Martonair International, helped IMI, the metals and engineering group, lift its profits from £22.6m to £30.5m pre-tax for the first half of 1986.

Furthermore, in addition to profits attributable to Martonair, the directors said they were looking for better results in the second half than those returned for the first six months despite a flattening of demand in some business areas.

Although they were looking for a more even split between the two halves following the sharp rise in profits experienced in the second six months of 1985, the directors did not seem unhappy yesterday with City estimates suggesting figures of between £70m and £72m for the full year, up from 1985's record £57.8m.

First half turnover declined from £404.3m to £383.2m. The fall here mainly reflected lower copper prices and translation of overseas sales at lower exchange rates.

A divisional breakdown of turnover and pre-tax profits shows: building products £86m (£83m) and £4.3m (£1.5m), heat exchange £36m (£40m) and £2.4m (£2.5m), drinks dispense 71m (£73m) and £6.8m (£7m), fluid power (including Martonair) £57m (£44m) and £7.3m (£5m), special purpose valves £22m (£20m) and £2.1m (1.6m), general engineering and other activities 40m (£43m) and £3.8m (£2.5m) and refined and wrought metals £104m (£127m) and £6.1m (£4m).

There were losses of £2.3m (£1.5m) for items not attributable to specific class of business. Intra-group sales amounted to £23m (£36m). Martonair's sales totalled £13m—the company's results were incorporated from mid-April.

Group interest charges fell from £5.9m to £2.7m. Tax accounted for £8.6m (£7.8m) and left earnings 2.1p ahead at 7.5p per 25p share.

The interim dividend is being lifted from 2.2p to 2.5p net—a final of 3.05p was pair previously.

Market conditions for most of the group's building products improved and the companies here continued to benefit from rationalisation measures taken previously.

In heat exchange, good results were achieved from aluminium products for the vehicle and aircraft industries, but profits were affected by a strike early in the year at one of the radiator plants, which was estimated to have cost £300,000.

Specialised components in general engineering did well and, with other activities in this sector, more than offset somewhat reduced figures in alloy tube.

Increased profits were achieved in special purpose valves, mainly through higher sales to the chemical industry.

Growth in drinks dispense continued strongly in the UK and Europe although in the US, the market was more difficult and the results were also affected by the weakness of the dollar.

Results in refined and wrought metals reflected continued demand for titanium—the group is the UK's only producer. Mr Garry Allen, group managing director, yesterday forecast another good second half for this sector because of strong demand from the aerospace industry.

He pointed out, however, that demand was not likely to be as spectacular as the very strong final quarter for 1985.

The fluid power activities benefitted from further growth and from the acquisition of Martonair. The directors said that since acquisition they have made significant progress towards integrating Martonair with the group's existing fluid power activities, although the benefits would not flow through until 1987.

See Lex

Sir Robert Clark, the chairman of IMI

Hargreaves buys 25% of Reed Holdings

By Lionel Barber

Hargreaves, the fuel-processing, transport and quarries group contesting a £82m bid from Coalite, last night announced it was buying a 25 per cent stake in Reed Holdings, a privately-owned solid-fuel distributor based in Manchester.

The stake is to be bought at a cost of £2.75m in cash. But Hargreaves will have an option to buy the balance of shares in Reed at a further cost of £7.75m within the next 12 months. There is provision for the period to be extended under the terms of yesterday's agreement.

Reed made £1.3m pre-tax profits on £56.9m turnover in the year ending last December.

Mr Douglas Payne, Hargreaves finance director, said Coalite and its merchant bank advisers, Morgan Grenfell, had been informed of the intended purchase. Morgan Grenfell confirmed this and said Coalite, which has interests ranging from fuel manufacturing to sheep farming in the Falklands, welcomed the deal.

Discussions with Reed had begun before Coalite launched its bid at the end of last July. "We see the purchase as a way of developing our solid-fuel activities in the UK and in Europe," said Mr Payne.

Hargreaves held discussions with the Takeover Panel before yesterday's announcement. Under Panel rules, a company involved in contesting a takeover bid is not allowed to buy or sell assets amounting to more than 10 per cent of its gross assets.

Hargreaves, with £90m gross assets on its last published balance sheet, received the go-ahead from the Panel. However, Mr Payne said the decision to take only a minority stake in Reed reflects the constraints of Panel rules.

Hargreaves, based in Yorkshire, has also been subject to bid rumours concerning Ocean Transport and Trading. Last week, the New Zealand entrepreneur, Mr Ron Brierley, launched a cash offer for cash-rich OTT with the proviso that it did not issue new shares for an acquisition. This would cover OTT's reported interest in Hargreaves.

Last week, Coalite was given permission by the Panel to delay posting its offer document while the European Commission examined the takeover.

Padang Senang

Padang Senang Holdings, an investment company with interests in rubber and oil palm production, earned £32,591 pretax, against £39,635, for the six months to end-March 1986.

Turnover was lower at £244,928, compared with £313,620, and gross profit fell from £72,698 to £67,014. Earnings per 10p share emerged at 0.34p (0.41p)—interim dividends are not paid.

CRODA APPLICATION Chemicals, part of Croda International, has sold its Masterlube business to Freedom Lubricants, a subsidiary of the Hargreaves Group.

KIO has 14.6% of TI

BY LIONEL BARBER

Kuwait Investment Office confirmed yesterday that it holds a substantial block of shares (14.66 per cent) in TI Group, the Raleigh bikes to Creda cookers engineering business.

KIO bought the stake last week from Evered Holdings, the ambitious industrial holding company, which was interested in mounting a bid for TI last year. Evered disposed of 10.4m shares (17.4 per cent) last Friday, realising a profit of £8m.

KIO joins Warburg Investment Management, with 14 per cent of TI, as major shareholders speaking for just under 29 per cent of the equity.

Mr Ronald Utiger, chairman of TI, said yesterday that he was relaxed about the KIO holding. "They are very big shareholders in a number of companies. The idea that this makes us vulnerable to a bid is totally unfounded speculation."

Mr Utiger said that Evered had put up a "For Sale" sign on its shareholding many months ago and yet a big buyer had not come forward.

He added that he had talked to Warburg Investment Management which was very satisfied with the profit made

Exco profits hit by £9m provision

BY DAVID LASCELLES, BANKING CORRESPONDENT

Exco, the international financial services group, made a provision of £9.1m in its interim results to cover losses arising from a default by a Japanese customer earlier this year.

As a result, the group's profits for the first half of 1986 announced yesterday showed only a small increase.

Net profits after tax and the exceptional item were £18.1m, up from £17.1m in the first half of last year. This was equivalent to 7.7p per share, up from 7.3p.

Exco said that results before the special provision amounted to net profits of £27.1m, or 11.6p per share, an increase of 58 per cent. The interim dividend is being increased by 50 per cent to 2.4p a share.

The results were broadly in line with expectations, and Exco shares closed at 234p, up 1p.

The .olss was registered in March by WICO, the group's stockbroking operation in the Far East which settled a £29m deal in Japanese railway shares for a customer who defaulted.

Although WICO retained possession of the shares, their value in the market fell. The firm has recovered about £20m from the transaction, and hopes to recover more. But it said yesterday that the £9.1m represented "full provision by WICO against the remaining amount and costs."

Comparisons with the first half of last year were complicated by Exco's sale in August 1985 of its 52 per cent interest in Telerate, the US market information service.

This sharply reduced the group's total turnover to £73.4m in the first half of this year, compared to £128.9m in the same period last year. Pre-tax profits were also down from £49.4m to £42.9m for the same reason.

However, buoyant markets for the company's services boosted operating profits, particularly in money broking in which Exco engages in most of the world's leading financial centres, and which provides a third of the profits.

Mr John Sangster, the chairman, said: "The excellent trading results achieved in the first half have been sustained in July and August.

"The group remains highly liquid and is pursuing a strategy of active development of its existing businesses, in which over £50m has been invested this year. In addition we are actively seeking suitable acquisition opportunities."

The group's cash resources exceed £300m, most of it the proceeds from last year's sale of the Telerate stake.

See Lex

Mr John Sangster, chairman of Exco International

Tanks lifts offer for Elbar

BY DAVID GOODHART

Tanks Investments UK which owns 73.9 per cent of the loss-making motor vehicle distributor Elbar Industrial has agreed to more than double its cash offer for most of the remaining shares.

TIUK, a subsidiary of Societe Generale de Belgique, offered 70p a share for the outstanding share capital of Elbar on April 15. However following negotiations with the independent directors of Elbar and their financial advisers, Robert Fleming, TIUK is now offering 150p a share.

TIUK has already bought 644,463 shares at the higher price and has agreed to buy a further 253,842 which together will take its holding up to 93.5 per cent.

The new offer values the whole share capital of the troubled company at £6.86m. The main beneficiaries of the increased offer will be the group of shareholders led by Gresham House Investment Trust — speaking for just over 19 per cent of Elbar shares — which opposed the initial Tanks bid as "inadequate and discriminatory" at the annual general meeting in May.

At the same meeting they complained that Mr Peter Grant, Elbar chairman, had withheld material information relating to the 1985 accounts which contained extraordinary losses partly stemming from what the group's auditors, Coopers & Lybrand, described as a failure by a subsidiary to keep proper books of account for more than one year.

TI Securities, a wholly-owned subsidiary of TIUK, will be making an offer to acquire the rest of the Elbar share capital at 150p a share. Elbar's listing has now been restored. It closed last night unchanged at 150p.

Lopex to restructure its advertising

By Feona McEwan

Lopex, the UK marketing services group which suffered a disappointingly undersubscribed flotation in June, has announced plans to restructure its advertising interests. This is seen as an attemot to win back City favour after much criticism about a lack of structure and synergy between its various subsidiaries.

Negotiations are underway for a management buyout by Kirkwood and Partners, a Lopex subsidiary. A phased buyout of Lopex's 76 per cent interest in Kirkwood's advertising agency is expected to be completed by October 1. This move comes after Lopex moved the agency's main client, Solid Fuel Advisory Service, into another of its shops, Lane Advertising.

Lopex is consolidating its advertising interests by merging its two wholly-owned subsidiaries, ASL and Lane Advertising, into one, to be called ASL Lane. This will form part of the £20m ASL communications group which has regional offices in Birmingham, Cardiff and Welwyn.

Commenting on the move, Mr John Castle, chairman of Lopex, said "We had a lot of criticism when we got our listing for having too many bits and pieces. Now we're pooling our consumer advertising interests under the one roof. And there are valid client reasons too for having a lot of resources within one company."

Lopex shares currently stand at 116p, 30p below offer price.

Mixed return leaves Ropner lower midway

DEPRESSED RESULTS from garden products, insurance broking and shipping offset gains elsewhere, in the Ropner group and first-half pre-tax profits fell from £3.97m to £2.67m.

And present indications were that the profit for the next six months would not be very different from that being reported, chairman Mr Jeremy Ropner forecass. For the whole of 1985 the group made £6.4m on a turnover of £57m.

Mr Ropner reported that engineering lifted its profit from £1.49m to £1.8m, with Storad heaters contributing a marked increase, while property development moved up from £33,000 to £312,000 reflecting higher rental earnings.

Marine insurance and reinsurance broking increased in volume but the lower value of the dollar reduced the sterling income. With a lower contribution from bloodstock insurance and substantial start-up costs of the recently formed New York subsidiary, that accounted for a sharply reduced profit, from £599,000 to £80,000.

Reduced valoe of the dollar earnings of Salmonpool, Kirkby and Kestrel largely accounted for a drop in shipping profit to £633,000 (£967,000).

The interim dividend is unchanged at 2.5p net.

Clarke Hooper beats its forecast with £845,000

Clarke Hooper, the sales promotion consultancy, enjoyed an "excellent year" and beat its profit forecast in the USM introduction in May.

Mr Barry Clarke, the chairman, said profit before tax for the year ended April 30, 186, advanced to £845,000, comparing with £275,000 earned in the previous year and with some £820,000 forecast.

In addition this time there was an exceptional credit of £67,000 to make £912,000. Turnover was on line with the forecast at £7.36m., against £4.78m.

The chairman said the market for sales promotion and design remained buoyant and he saw significant opportunities for profitable long-term growth in existing businesses and in related marketing services. He viewed with confidence the company's ability to take full advantage of opportunities.

For Clarke Hooper Consulting it was a year of unprecedented growth. The sales promotion consultancy increased revenue through additional work for established clients and through new business. Sales promotion campaigns achieved excellent business results.

Owls, the design and art studio subsidiary, more than doubled its contribution with a profit of £108,000 (£52,000), as turnover increased by 68 per cent to £699,000.

Excluding the exceptional credit, and after tax of £384,000 (£134,000), earnings were 7.4p (2.2p) per share.

As noted in the prospectus, there is no dividend for the year, but the directors intend to pay an interim for the current year based on halfway results.

Scrutineers confirm Extel egm voting

Extel, the financial information group, yesterday said it had been assured by the joint scrutineers, Deloitte Haskins & Sells and the Royal Bank of Scotland, that the votes cast, by proxy and by those present, were as announced at the egm last Friday. The meeting was called to approve Extel's $40m purchase of Dealers Digest, the New York publishing company.

On Monday, Henry Ansbacher merchant bank, raised doubts about the tally, saying the reported votes against the Digest deal fell short of its own estimates. Ansbacher, holding 3 per cent of Extel, supported Mr Robert Maxwell, the publisher, who opposed the deal on the grounds that the price was too high.

GREENWICH RESOURCES said Robertson Research International had sold 500,000 ordinary shares, reducing the group holdings to 2.04m (9.4 per cent).

'Open day' for Staffs Potteries

Mr John Ashcroft, chairman of the fast-growing home furnishings group Coloroll, is promoting an unusual development in post-acquisition industrial relations by giving all the staff at recently-acquired Staffordshire Potteries a day off work.

It will not quite be a holiday, however, as the 2,000 staff will have to listen to their new chairman talking about "jobs, growth and vital plans for the future of all the important ceramics industry," according to Coloroll's public relations company.

The "open day" presentation this Friday at Meir Park—home of Staffordshire Potteries—will be followed on Saturday by a "family fun day" at the same site featuring a circus and the Coloroll-sponsored Red Devils.

Pengkalen

Pengkalen, which has interests in tin mining in Malaysie, reported a pre-tax loss of £10,892, against £27,220, for the six months to end-March 1986.

Turnover amounted to £6,200 compared with £4,864. Loss per share was 0.82p (1.96p).

The company is controlled through Neville Enterprises.

Guinness repays £86m loan stock

By David Goodhart

Guinness yesterday announced it was seeking to pay back loan stock valued at £86.3m issued by Arthur Bell and Distillers—both acquired by Guinness during the past year.

Senior executives described the move as a routine post-acquisition clearing up operation. The loan stock to be repaid represents less than 10 per cent of its total debt, which currently stands at about £950m.

Distillers has £80.3m of stock outstanding and Bell's has £6m. Redeeming these stocks means simply swapping one form of borrowing—loan stock—with another, bank borrowings.

Distillers explained that the trust deeds constituting the stocks contain different sets of rules regarding administration, communications with stockholders and restrictions on borrowings and transfers of assets. It added: "The directors of Guinness believe that the level of financing provided by the stocks is disproprtionate to the costs of ensuring compliance with the provisions of the trust deeds."

Guinness said it is convening a meeting of stockholders on September 26 to seek approval to repay the loan stock.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brammer ...int	4.5	Oct 23	4.5	—	12.5
Evans Halshaw ...int	¶0.72	Oct 14	—	—	—
Exco Intl ...int	2.4	Oct 17	1.6	—	4.2
Hyman ...int	0.75	Oct 27	0.75	—	1.5
IMI ...int	†2.5	Oct 20	2.2	—	5.25
Norank Systems ...int	‡1.5	Oct 2	—	—	—
Palmerston Inv ...	4	—	3	5	4
Ropner ...int	2.5	Dec 31	2.5	—	6.5
Sharpe & Fisher ...int	0.75	Oct 31	0.61	—	2.33
Stat-Plus ...int	2	Oct 1	1	—	2.85
Wickes ...int	0.83‡	Nov 3	—	—	—

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Special interim. Company intends to pay forecast 3.38p final.

T&N buys another 1.4m AE shares

Turner & Newall continued to keep up the pressure in its £250m bid for AE yesterday by buying a further 1.4m ordinary shares at the cash alternative price of 240p which takes its total—including acceptances—to 37.3 per cent.

AE pointed out that T & N now owned 26.73 per cent and was only allowed to buy another three per cent in the market.

LADBROKE INDEX
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Based on FT Index
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APPOINTMENTS

Changes at British Telecom

Mr Colin Browne has been appointed by BRITISH TELECOM to succeed Mr Peter Young, director corporate relations, who is retiring. Mr Browne takes over his new post in October. He has been chief executive broadband services since April 1985 and has been responsible for developing British Telecom's commitment to the cable and satellite TV market and furthering the company's drive to promote local broadband networks. Mr Browne's successor as chief executive broadband services is to be **Mr Brian Lawrence,** currently chief of operations, broadband services. Mr Browne will retain oversight of the strategic development of broadband services.

★

Following the merging by Hoare Govett of its institutional fund management activities with those of Thornton Management, a wholly-owned UK subsidiary of Thornton & Co, THORNTON INVESTMENT MANAGEMENT has been formed to conduct this business. **Mr Richard Thornton** has been appointed chairman and chief investment officer, **Mr John Patrinos** becomes managing director, **Mr John Hawker, Mr Derek Woodward** and **Mr Gary Street** have been made directors.

★

Mr Andrew Cameron has been appointed managing director of EXPRESS NEWSPAPERS, publishers of the Daily Express, Sunday Express and The Star. The appointment follows the resignation of Mr Roger Bowes as chief executive, who is leaving to pursue other interests. Mr Cameron, at present deputy chief executive, joined the company in 1971 and for the past three years has, among other tasks, been responsible for the changeover in technologies throughout the group.

★

Mr John Hobbs has been appointed to the board of COLBORN-DAWES NUTRITION, a wholly-owned subsidiary of F. Hoffmann-La Roche and Co. Basle. He was purchasing manager.

★

Mr Keith Payne has been appointed group finance director of DRI HOLDINGS and additionally, finance director of Newbury Data. Mr Payne was previously vice president finance and business planning for Europe, Africa and Middle East with Singer. Also appointed to the DRI Holdings board is **Mr Andrew Baxter** in recognition of his management contribution as technical director of Newbury Data since joining in December 1985 from Thorn EMI Data Tech.

★

ENTERPRISE OIL has appointed as a non-executive director **Mr Stanley Churchfield,** who recently retired from the main board of Burmah Oil. He was chief executive of Burmah Oil Exploration. **Sir Brian Shaw** has also joined Enterprise Oil as a non-executive director. He is chairman and managing director of the Furness Withy Group and was president of the General Council of British Shipping in 1985-86.

★

BANKERS TRUST INTERNATIONAL has merged its asset placement, loan distribution and loan syndication operations into its capital markets group under the overall director of **Mr Benjamin C. Weston,** vice president. He has been appointed head of the capital markets group which also encompasses the origination side of the bank's bond, swap and private placement activities. **Mr Peter L Fenichel,** vice president, who has relocated from New York, will head a new area in the capital markets group. This will be concerned with primary and secondary loan and structured transaction sales and private placements to the bank's clients. Joining Mr Fenichel in this area as vice presidents are **Mr Edmund Driggs, Mr Santiago Ruiz-Morales, Mr Yasuo Takashima, Mr Peter Tarazi** and **Mr David Rosser,** associate.

★

Mr Stephen Tucker, formerly European product manager for systems software at DIGITAL RESEARCH, has been appointed director of the company's new European Development Centre.

★

Mr Tony Nishigaki, deputy managing director of PANASONIC UK, is returning to Japan to a new assignment in the African Bureau of Matsushita Electric Trading Co. His replacement, **Mr Derek Hashiguchi,** has served in the Middle East and more recently headed the marketing function in the African Bureau.

★

Mr Mike Rogers has been appointed managing director of EXPO SYSTEM SERVICE (UK), a new company formed to market the Instand modular system. He was managing director of Marketing Aids.

★

Mr Nicholas S. Stagg has joined the LONDON SHOP GROUP as group financial controller.

CONTRACTS

Six-screen cinema complex

A contract to build and fit-out a cinema complex has been awarded to TARMAC CONSTRUCTION. Work starts shortly at High Wycombe, Bucks, on the American-style building which will seat 1,600 people and have six screens—with floodlit parking for 300 cars. The complex is being built on Crest Road, near Junction 4 of the M40, alongside the Crest Hotel and Asda supermarket, and completion is scheduled for July 1987. The £3.5m scheme is for the CIC Theatre Group, best known for its Empire and Plaza cinemas in London's West End. A restaurant and bars are included in the development and there will be air-conditioned auditora equipped with Dolby sound system and fully-automated wide-screen projection. The High Wycombe project is the first of a number of cinemas that CIC plans to build in the UK, the next being at Solihull.

Tarmac has won further projects worth nearly £6m. Two of the largest are in the West Midlands where the company has a £1.7m contract for a road and associated works at Westwood Business Park, Coventry, for Coventry City Council, and a £1m contract for a factory at Daventry, Warwickshire, for Isotron. At Chesterfield, Kent, the company has a £1.1m contract for alterations to a road, and estate roads and drainage for Benbourne. Other projects include demolition and refurbishment work at Port Sunlight, Merseyside, for Lever Brothers (£781,000) and a management contract for converting a warehouse into 28 workshop units at Wallasey, Merseyside, for Mersey (£539,000).

★

A "single source responsibility" design and build approach has been chosen by Langbaurgh Borough Council for phase 2 of the improvement and remodelling of the Spencerbeck Estate, Ormesby, Cleveland. SHEPHERD BUILDING SERVICE has been awarded the contract, worth £1.5m, which will provide 66 new or refurbished homes. Phase 2 involves demolition of 50 dwellings, the refurbishment of 44 dwellings and construction of 22 homes, together with external works. The scheme provides for 12 types of two-, three- and four-bedroom houses, two-bedroom bungalows and one-bedroom flats to be grouped round four culs-de-sac. The project is scheduled for completion in September 1987.

★

MYTON, a member of the Taylor Woodrow Group, has started work on a £4.9m project for the Property Services Agency (directorate of civil accommodation) for the renovation of buildings and construction of units in a 23-building project at the Building Research Establishment, Garston, Herts. The project will provide laboratories, testing facilities, offices, workshops and supporting services required to accommodate the programme of research into timber and components being transferred from Princes Risborough Laboratory to Garston, and for the refurbishment, after the removal of asbestos, of the main materials science laboratory at Garston. The work is scheduled for completion in summer 1987.

UK COMPANY NEWS

Phoenix Timber rescue package as losses mount

BY TERRY POVEY

A FINANCIAL package to rescue the struggling Phoenix Timber company has been put together by merchant bankers Morgan Grenfell. The package has the support of Investors in Industry, the venture capital group which has £4m invested in the timber company.

Under the planned scheme announced yesterday Phoenix proposes to raise £5.2m net, about twice its present market capitalisation, through the issuo of 7.26m new shares et 75p each. At present tho timber company has 3m shares in issue.

Also announced was the timber company's results for the year to March. Losses before tax were £973,000 (£81,000 loss) on a turnover £6m lowor at £37.2m (of which £970,000 was contributed by discootinued businesses). After an extraordinary debit of £688,000 (£774,000 debit) the loss attributable to shareholders was £1.66m (£834,000 loss) or e loss of 32.8p a share.

Phoenix has been the subject of a bitter battle for boardroom control since early in 1985. The company incurred pre-tax losses in five years out of tho last six and shareholders funds bave fallen to £3.1m as of March 31, less than a third of the 1980 level. Net debt has riseo to more than two and e half times shareholders funds—to a total of £7.8m.

In March, however, a new senior management was finally installed at Phoenix. Mr Peter Quinn, formerly chief executive of tho Planet Group, and Mr David Darke, an industrial adviser, were taken on as chairman and managing director respectively at the urging of 3i. The company is now looking for a finance director.

According to Mr Quinn the company was suffering from e failure to adapt to changes in the timber market and that ettempts at diversification had beeo unwise — in the case of DIY retailing it "had been disastrous," he said. Among the anomalies arising from over-decentralisation, said Mr Quinn, was that accountants ootnumbered sales staff by 19 to four.

Since March, the new team had concentrated on restructuring around the company's core activities — timber trading, building components and wood infestation treatment.

This rationalisation process was now at an end but the size of the company's debts was preventing any shift into the next phase in which growth could be expected and hence the rescue financing package.

Morgan Grenfell has arranged to place up to £6.88m of the new shares with 15 institutions and the remaining 380,000 will be subscribed by the directors. As the new shares will constitute over 70 per cent of the expanded ordinary capital, existing shareholders will have the opportunity to vote on the proposals a an EGM on September 26 and to subscribe for up to half of these for which a provisional placing agreement has been arranged.

If the rescuo issue goes ahead, Phoenix's auditors, Ernst & Whinney, have said that they will withdraw a proposed qualification of the 1985-86 accounts. The accountants had initially prepared the accounts on a "going concern basis" subject to shareholders approval for the rescue scheme.

● **comment**

Clearly 3i thinks a great deal of Mr Quinn and so do the institutions which clamoured for a larger chunk of the placing than Morgan Grenfell was able to deliver. No doubt most of the institutions have come to the conclusion that provided £2m a year of interest charges can be reduced to more manageablo proportions then a positive profits and cash flow will be restored and only the downside is limited. History appears to be on the side of the rescuers—over the past 10 years the shares have been below the 80p level only for about 18 months in 1982-83. On the news of the rescue scheme, even the prospect of heavy dilution was not enough to produce a drop and the shares rose 2p to 90p. However, timber trading is a fine margin business which is much subject to the ravages of currency movements and building components is for the moment an uncertain sector. It could therefore, take all the new team's skill to do more than consolidate the rescue effort made so far at low levels of return. But perhaps all 3i wants is something ship shape enough to attract attention in bidder circles?

Sharpe & Fisher doubles to £1.3m

BOTH TRADING companies—building supplies and DIY stores—at Sharpe & Fisher showed a substantial increase in profits in the six months to June 30 1986 and a £127,000 profit on the sale of property enabled the group to almost double its pre-tax figures.

In reporting profits up from £689,000 to £1.3m, Mr Roy Stringer, the new chairman, pointed out that the first half of last year was a particularly disappointing trading period.

In view of the first half improvement, the interim dividend is being raised by 23 per cent from 0.61p to 0.75p net—last year a total of 2.33p was paid from pre-tax profits of £2.16m. Stated earnings per 25p share were doubled at 4.2p.

Group turnover was up from £23.59m to £28.36m, with building supplies contributing £15.78m (£14.16m) and DIY stores £12.58m (£9.43m). An increase of £130,000 to £278,000 in profits was achieved by building supplies, and DIY stores improved considerably from £521,000 to £916,000.

Commenting on the figures, Mr Stringer said the building supplies division achieved a sales volume increase following an improvement in the general demand for building materials. Profits were up by 88 per cent, although they had not yet reached the level at which the group was aiming; but with the benefits of its re-organisation beginning to show, the trend was encouraging.

He said sales in the Sandfords DIY and garden superstores showed a satisfactory increase, but because of the poor weather in the spring, the increase was below expectations. Profits were ahead by 76 per cent. Initial results from the new Redditch store, opened at Easter were encouraging.

A new store in Droitwich would open later this month, and further stores were planned.

Mr Stringer said results for the year would obviously depend on the level of demand in the second six months. So far that continued to be ahead of last year, but he did not expect the same level of increase as in the first half.

Evans Halshaw at £1.3m and further growth ahead

Evans Halshaw, the motor distribution group bought out by its management in 1984 and floated on the Stock Exchange earlier this year, made strong progress in the first six months of 1986 and started the second half well.

August deliveries of new cars were at e record level, the Mutaproducts and contract hire divisions have continued their growth and the directors said yesterday they were confident of e further good group performance in the second half.

Turnover for the opening half improved from £74.6m to £85.96m and et the pre-tax level profits surged to £1.33m, an increase of 52 per cent over last time's £876,000.

The directors are proposing e special interim dividend of 0.72p net and still intend to pay a final of 3.38p as forecast in the offer for sale prospectus.

During the half year all divisions showed significant improvements in performance and the motor division contributed increased profits from all of its franchises.

Currently the directors are pursuing strategic expansion of the contract hire division. They said the fleet was growing et an annual rate of over 50 per cent.

First half interest accounted for £753,000 (£810,000) and tax for £413,000 (£211,000). Earnings worked through 1.9p ahead et 8.9p per 25p share.

Norank jumps to £326,000 at midway

Pre-tax profits of Norank Systems, the morchandising and display systems company which came to the USM in December last year, more than tripled to £326,000 (£90,000) at the six months stage. Mr Bob Morton, chairman, said another record year's results were in prospect.

Turnover in the six months to June 30 1986 rose to £847,000 (£392,000). Earnings per share increased hy 3.85p to 5.59p and the interim dividend is 1.5p net.

Mr Morton said trading conditions for the company, which had benefited from the expansion of retail chains selling music products, remained buoyant.

Hyman falls in first half

LOWER pre-tax profits were yesterday reported by Hyman, the Oldham-based polyurethane foam converter and manufacturer. for the six months to June 30 1986. The figures were down from e re-stated £894,946 to £813,049.

In an effort to combat with tho deterioration in operational profitability at Hairlok, from a profit of £169,000 last year to a loss of £109,000 this year, Mr Poter Buckley, the chairman, has requested Mr V. W. Mannion to move to Bedford and take over.

Group turnover in the opening half rose from £17.07m to £20.35m. The pre-tax figure was after share of profit of e related company down from £22,776 to £7,697 and net interest payable of £347,708 compared with £286,922. Tax took £294,730 against £355,319. There were minorities of £11,954 (£1,123), and an extraordinary debit this time of £35,055.

The interim dividend is unchanged at 0.75p—last year's total was 1.5p net from pre-tax profits of £1.92m. Stated earnings per 5p share were 1.72p (1.88p) before extraordinary items.

ROWNTREE MACKINTOSH announced that acceptances have been received in respect of 95.2 per cent of the 42,569,813 ordinary shares offered by rights at 350p per share. Shares not taken up have been sold at a net premium of 43.87p per share over the issuo price.

Stat-Plus profits rise 70%

Stat-Plus, the office stationery, printing and furniture retailer, announced pre-tax profits up by 70 per cent and a doubling of its interim dividend in its first six-monthly statement since achieving a full listing.

Pre-tax profits rose from £675,000 to £1.15m in the six months to June 30 1986 and the interim is 2p (1p).

Mr Derek Bird, chairman, said the group had continued its expansion in the south-east and its new operation to serve the south-west and Wales had surpassed targets set last year.

He said the administration systems and controls had allowed the group to increase its operating margins by hardly increasing staff levels and having a lower product inventory.

Cash flow in the six months continued to be strong with deposits of £2.2m.

Turnover increased to £3.65m (£2.7m) and operating profit rose from £643,000 to £1.04m. the group paid tax of £464,000 (£283,000) and earnings for the half year come to 9.6p (5.5p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—ASD, Cement-Roadstone, Combined Leasing Finance, James Fisher, Guardian Royal Exchange, Inatem, Lambert Howarth, Metal Closures, James Neill, Peninsular and Oriental Steam Navigation, H. and J. Quick, Sound Diffusion, Steel Burrill Jones, Sun Alliance and London Insurance, Waste City of London Properties, Wilson Connolly, World of Leather.
Finals—Caledonian Offshore.

FUTURE DATES

Interims:—	
Abbott Mead Vickers	Sept 17
Baird (William)	Sept 18
Bemrose	Sept 17
Billam (Percy)	Oct 6
Bipel	Sept 12
Bowthorpe	Sept 17
Bryant Holdings	Sept 4
Ibstock Johnsen	Oct 2
M6 Cash and Carry	Sept 17
Metsec	Sept 15
Nardin and Peacock	Sept 10
Tavener Rutledge	Sept 10
Technology Project Service	Sept 10
Tyne Tees Television	Sept 11
Wardplex Information Systems	Sept 19
Finals:—	
Checkpoint Europe	Sept 8
Gate Holdings	Sept 12
Marivale Moore	Sept 16
Mitchell Cotts	Oct 2
Tor Investment Trust	Sept 4

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	182	160	Acatos & Hutcheson50p	182	+1	bd5.25	2.9	4.1	12.1
§115	F.P.	22/8	164	128	‡Anglia Sec Homes10p	164	—	R1.65	5.0	1.4	20.2
§125	F.P.	22/8	125	118	‡Atlas Conv'tingEqu5p	123	—	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	68	—	L1.0	4.2	2.1	16.3
‡‡	F.P.	—	318	280	BTR Nylex A$0.50	303	—	Q15c	2.7	2.1	17.7
‡‡	F.P.	—	53	41	Bertrams Inv. Tst	43	—	—	—	—	—
§45	F.P.	—	55	50	‡Broad St. Grp.10p	55	—	b1.1	2.2	2.8	22.7
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	—	—	—	—	—
§110	F.P.	12/9	124	111	‡Coline Int 5p	121	—	R2.7	3.4	3.1	13.5
134	F.P.	—	161	134	‡F & H Group 10p	161	—	L4.76	2.5	4.2	13.3
210	F.P.	—	210	191	G. T. Management 1p	206	—	R3.0	3.4	2.1	17.3
150	F.P.	25/7	172	150	Guthrie Corp	172	+5	u5.3	2.2	4.3	11.0
150	F.P.	15/8	165	156	Harrison Inds. 10p	161	−2	g5.0	2.7	4.4	12.1
§92	F.P.	28/8	95	87	‡Hilite Ergonom 10p	90	—	L2.0	3.1	3.1	12.4
105.25	F.P.	—	106	104	India Fund £1	104	—	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£38½	—	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	95	—	R3.13	3.0	4.6	9.1
§33	F.P.	29/8	34	27	‡Omnitech 1p	30	—	—	—	—	—
§120	F.P.	29/8	120	107	‡Personal Comps. 5p	107	—	R3.0	3.3	3.9	10.9
§165	F.P.	1/8	104	157	‡Smallbone 10p	160	—	u5.0	2.1	4.4	14.9
§110	F.P.	28/8	125	119	Stanley Leisure	120	—	a3.25	2.8	3.8	13.2
145	Nil	3/10	21pm	11pm	Sutcliffe Speak Uist	21pm	+1	—	—	—	—
130	F.P.	21/8	164	137	‡TV-am 10p	164	+3	R5.75	2.6	4.9	11.0
‡‡	F.P.	—	163	152	VSEL Consortium £1	163	—	W5.68	4.3	4.9	5.1
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	95	—	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	£10	23/10	10¼	9½	Bournem'th & Dist Wtr 10¼% Red Db 1996	10¼	—
¶	Nil	10/10	3pm	2pm	Egerton Tst 7% Cv Cm Red Pf	3pm	+1
99.160	F.P.	24/10	101½	99½	Elect & Gen. Inv. 10⅛% Deb. 2011	101⅛	+1½
‡‡	F.P.	—	92	86	Hellis 252% Cnv. Subord. Ln. 1988 (2½p)	90	−2
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	27½	—
105.523	F.P.	21/8	106½	98½	Land Securities 10% 1st. Mort. Deb.25	101¼	−⅛
§99.937	£25	24/10	25⅝	23¾	Nationwide 5¾% IL Ln. 2021	25⅝	+⅛
—	F.P.	—	100⅛	100	Do 10⅛% 17/8/87	100⅛	—
—	F.P.	—	100⅛	99⅞	Do 9¾% 7/9/87	99⅞	−1
¶	F.P.	30/9	106p	100p	Scantronic 5.75% Cm. Cnv. Red. Prf.	105p	+1
‖	F.P.	26/9	103p	101p	Stewart Ent. 6½% Cum. Cnv. Red. Prf.	101p	—

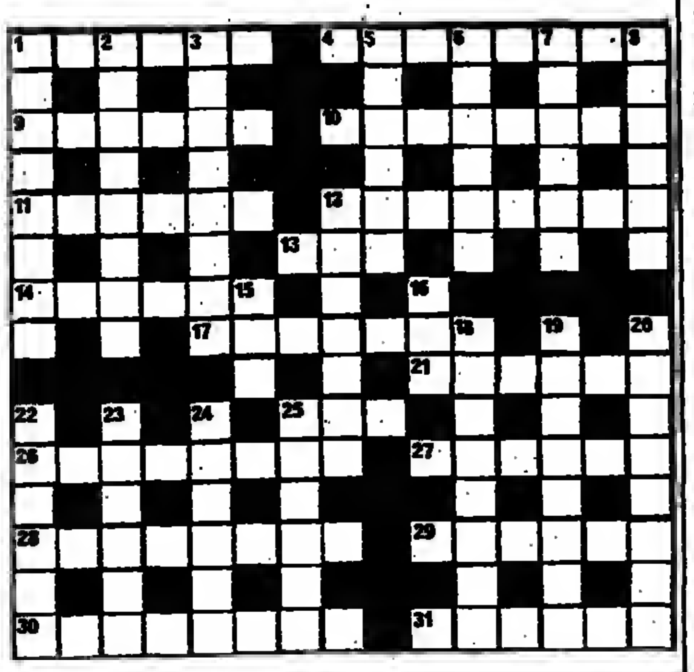
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
¤82.50	Nil	—	350pm	350pm	Algemene Bank Fl100	350pm	—
168	Nil	10/10	22pm	17pm	Allied Irish Banks	17pm	−1
2	Nil	10/10	3½pm	1½pm	Assoc. Brit. Eng. 1p	2½pm	+½
190	Nil	24/10	15pm	6pm	BBA Group	13pm	+3
39	F.P.	10/10	42	40½	Blackwood Hodge	42	—
158	Nil	10/10	6pm	2pm	Brown & Tawse	6pm	—
5	Nil	22/9	30pm	24pm	‡Cityvision 5p	27pm	—
276	Nil	14/10	30pm	25pm	FII Group	25pm	—
34	Nil	6/10	5pm	3pm	Forward Tech	5pm	—
450	Nil	26/9	40pm	33pm	Marler Estates	40pm	—
30	Nil	10/10	20pm	20pm	‡Memcom Intl. 10p	20pm	—
315	Nil	—	26pm	18pm	Sedgwick Group 10p	26pm	+5
390	Nil	3/10	117pm	105pm	WPP Group 10p	115pm	—

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures ‡ Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖¶ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ||| Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE No. 6115

VIXEN



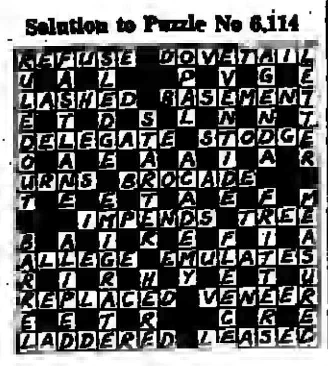
ACROSS

1 Bar from church exercise (6)
4 Declines pie, though that's kept quiet (8)
9 Quotatioo making "X" turn colour (6)
10 Flashy dispute with most important man (8)
11 Calms down a wild beast (6)
12 Well-balanced yet apathetic (8)
13 The rich holding of some woman (3)
14 An ambassador for example coming in late (6)
17 Plants in the main (7)
21 Dicky tried a string of invective (6)
25 Note gunmen get time (3)
26 An outstanding feature of the seaside (8)
27 Notorious criminal—top one (6)
28 Large tin, battered but intact (8)
29 Gas is in general more desirable than ever (6)
30 The alien a good man phoned with little hesitation (8)
31 Keen painter's turnover before the depression (6)

DOWN

1 Inside, but may be sent outside to make complaint (8)
2 Trick to flog travel facility for stock-buyers (8)
3 There's now a way to get what the children want at Christmas (8)
5 Hurt one representative with a look (6)
6 The blunders of a renegade in 25 across (6)
7 Law-breaking article written in Russia (6)
8 Deal with food summary (6)
12 Entice 15 down back to the sheltered side (7)
15 In this diet people eliminste fish (3)
16 Allow for rent (3)
18 A catastrophe involving sad rites (8)
19 The aristocracy stop on time (8)
20 Respectful always in the break (8)
22 Cash in convertible bonds (6)
23 Found gold star (8)
24 Labour over an apt phrase (6)
25 Fix commission (6)

Solution to Puzzle No 6,114



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $19.30 | ..... | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $16.88 | ..... | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $18.30 | ..... | —
Dynamic Gth Fd ..... $19.89 | ..... | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ..... $12.18 12.90 | ..... | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.65			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.86	7.37	10.76	Amth
7-day Fund	9.76	7.30	10.70	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.80	7.36	10.56	6-Mth
7-day Fund	9.65	7.23	10.34	6-Mth
Dollar	6.69			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.60	9.83	Qr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.92	9.99	Qr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	9.25	6.91	10.04	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.50	7.10	10.33	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Markt	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.00	10.18	Mth
For other rates phone 01-581 0629				
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.10	Qr
£2,500 +	9.38	7.00	10.12	Qr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qr
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd				
355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC				
71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qr
Lombard North Central PLC				
17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.20	6.87	10.00	Daily
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.75	Qr
£10,000 +	9.36	7.00	10.12	Qr
M.I.M. Britannia Ltd				
74-78 Finsbury Pavement. EC2A 1JD 01-588 2777				
Cnsr Afim	9.30	7.30	10.3530	—
NatWest Special Reserve Account				
41, Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qr
£10,000 and above	9.375	7.00	10.12	Qr
Oppenheimer Money Mngmt Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acc	9.50			3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.75	7.29	10.55	Qr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.00	7.48	10.90	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.30	6.80	9.90	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol 0272 732241				
Deposit Acc	9.71	7.29	10.90	Qr
Money Acc	9.36	7.00	10.13	Qr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.90	10.04	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	10.00	7.47	10.83	Qr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22	11.94	Qr

NOTES—Gross: rate to time exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	27	Turner Newall	16
Charter Cons	22	Unilever	120
Comm Union	26	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	37	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	20	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	38		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

UN food agency calls for fairer farm trade deal for Africa

BY PETER BLACKBURN IN ABIDJAN

MOST AFRICAN countries could reverse the long term decline in food output and feed themselves by the year 2010, according to a report presented today by the UN Food and Agriculture Organisation (FAO). But the report says this will only be possible if African governments give absolute priority to agriculture and protect the continent's natural resources, and if industrialised countries give Africa a fairer trade deal.

Mr Edouard Saouma, the FAO director general, warns in the report "not all the wrongs of the past can be put right within five years . . . there is a long struggle ahead."

If past trends are allowed to continue there would be "repeated and massive famines while food imports could bankrupt even prosperous African countries," the report warns.

The report, entitled "African Agriculture: the next 25 years," is accompanied by a programme of action detailing steps towards recovery. It is being discussed at an FAO regional food summit attended by some 40 African countries which started yesterday in Yamoussoukro, the Ivorian political capital.

The report hypothesises that nearly half of all African countries could double the growth rate of cereal food production and reduce the continent's total cereal deficit to 76m tonnes a year from 100m tonnes by 2010.

It stresses the need to protect the environment however. Excessive exploitation of farmland, over-grazing of pastures, deforestation and poor water management have caused increasing encroachment by deserts it says.

The FAO estimates that over $1bn has been wasted over the past 15 years on ill-conceived projects to control pasture grazing.

One reason was the failure to involve local people in project planning and implementation. In future projects should use a "bottom-up" rather than a "top-down" approach, the report recommends.

The FAO says that farmers need support in four main areas:

● Effective incentives: But the report points out that higher official producer prices are insufficient if exchange rate distortions make imported cereals cheaper or small farmers are unable to obtain more land or farm credit.

● Improved supply of inputs at the right time and price. Priority in foreign exchange allocation should be given to factories producing fertilisers, pesticides and farm machinery. The FAO estimates that a sixfold increase in fertiliser use is needed if the desired 3 per cent annual increase in agricultural output is to be achieved.

● Institutional reform: Shortage of skilled manpower will be a major problem for at least the next 15 years and major efforts are needed to improve practical training, research and extension services. These should include women—the main food producers.

● Improved transport infrastructure: The report notes that countries with good communications systems such as the Ivory Coast and Malawi have been among the continent's most successful agricultural producers.

The report urges a fairer deal for Africa in world trade. "It makes no sense to offer aid with one hand and to restrict Africa's exports with the other," Mr Saouma declares.

In the short term tariff barriers could be removed from non-competing commodities such as coffee and bananas. In the long term the report says that European, US and Japanese taxpayers may force the removal of direct farm subsidies costing an estimated $40bn annually.

Many African countries have made "considerable progress" towards allocating to agriculture a target of 20-25 per cent of annual public investment, and introducing policy reforms, says the study.

It adds that "donors have further to go. Per capita aid fell by 3 per cent a year during Africa's most serious economic crisis in the early 1980s, the report notes.

Donors are urged to write off the debts of the poorest countries, grant more flexible aid terms, finance more small-scale farm projects and co-operate more closely with non-governmental organisations."

The Tanzanian Government has announced increases of around 9 per cent in producer prices for food crops and retail price rises of up to 121 per cent for basic foodstuffs.

The changes benefit farmers who grow maize, paddy, wheat, soya, cassava, millet, beans, copra, sesame, groundnuts and castor seeds. The higher retail price rises affect rice, sugar, maize and wheat flour and range from 31 per cent for rice to 121 per cent for maize.

Cocoa trade confused over Nigerian move

By Andrew Gowers

A TOP-LEVEL cocoa trade delegation is undertaking a fact-finding mission to Lagos and other West African capitals later this month at a time of deep confusion about the future of Nigeria's cocoa production and exports.

The delegation from the Cocoa Association of London, whose membership includes cocoa producers and traders as well as chocolate manufacturers, will be seeking information on the state of the Nigerian trade, following the Federal Government's abolition earlier this year of state-run commodity Boards, including Nigerian Cocoa Board.

This has left the London trade uncertain as to exactly who is entitled to buy cocoa from Nigerian farmers and to export it, and who is responsible for grading the material. The delegation, led by the Cocoa Association's chairman, Mr H. J. Fritze of the West German cocoa company Sopra, aims to meet Government officials and to hold an open meeting in Lagos on September 25 to offer advice to those involved in, or wishing to be involved in, the cocoa trade.

Mr Robin Dauncey, chief executive of the Association, said yesterday that he had received numerous enquiries from would-be cocoa traders, most of them Nigerians, since the Cocoa Board was abolished.

Another interesting side-effect of the scrapping of the Board has been a dramatic rise in cocoa prices within Nigeria. Prices of N2,500 (£1,260) a tonne and more are now being paid by middlemen in the interior, more than 50 per cent more than prices lately paid by the Cocoa Board. If this continues, it could have a dramatic effect on Nigerian production in the medium term, since more money will be available for farmers to spend on fertilisers and agro-chemicals.

Low incentives to producers have been identified as one of the key reasons for a long-term decline in Nigerian production. The country was once the second largest producer after Ghana, with annual output until the early 1970s of around 300,000 tonnes, but production has now fallen to around one third of that level.

Ghana, another country on the delegation's itinerary, has also slipped sharply down the league of cocoa producers, although output is now staging a revival. Both suppliers are of prime importance to the UK chocolate industry, since they account for the vast majority of cocoa consumed in Britain. The mission will also be visiting the Ivory Coast, now the biggest producer, and Cameroun.

Dutch traders rebel against grain tax currency anomaly

BY JOHN BUCKLEY

ATTEMPTS TO collect the European Community's new grain tax could run into a tangle of currency distortions in intra-community trade, according to market analysts.

The problem was highlighted late last week when the Dutch Grain and Feed Trade Association, Het Comite, discovered its members could be in for a multi-million guilder loss in trying to pass the tax from processor back to producer if the grain were imported from another member state with a weaker currency.

A Dutch cereal processor buying UK grain, for example, receives an invoice showing a gross price inclusive of a £3.273 per tonne levy, which is the UK equivalent of the community's fixed tax rate of 5.38 European currency units (Ecus).

The processor actually pays a price net of levy to the UK seller and pays the levy itself in Holland at the fixed Dutch rate of Fl 14.54 per tonne. The trouble here for the Dutch processor, however, is that when it comes to claim the levy back from the UK in weaker sterling, the UK rate is worth only Fl 11.70 so he loses about 18p per tonne on the currency differential.

The Dutch association has accordingly told its members not to pay over the Fl 2.84 difference but to calculate the levy on the base of Ecu 5.38 converted to the prevailing rate of exchange of the country of grain origin.

This enables the Dutch cereal buyer to pay what is in effect a variable levy at a lower rate. This is by no means the end of the matter, however, since the Dutch collection agency (the Commodity Board for Arable Products) is still bound to pay the full fixed rate of Dutch levy onto the commission.

Nobody is quite sure yet what will be the response to what some trade experts describe as the first manifestation of national "UDI" over paying the levy. The commission could insist that the Board makes up the difference itself between the official and unofficial levies, or the Board could decide to take legal action against processors who refuse to pay the full rate. There have been suggestions that if the Dutch "revolt" gathers pace a black-list could be drawn up of those taking Het Comite's advice.

The Dutch situation has already aroused a flurry of excitement in the UK grain trade, which is already thoroughly irritated with the complexities of collecting the tax and eager to locate any potential loopholes of precedent. However the UK Grain and Feed Trade Association (Gafta) has warned its own members that they would be unwise to follow the Dutch body's example at this stage.

Ms Maria Cappuccio, a Gafta official, points out that the UK as a net exporter with a weak currency is in any case in a reverse position from the Dutch in trade with most EEC member states. "We believe that more can be achieved by tackling currency and other anomalies on an EEC wide basis rather than a national basis," she said.

Coffee market set to break volume record

BY ANDREW GOWERS

THE London robusta coffee futures market traded its millionth contract of the year yesterday, in generally improved trading conditions on London's soft commodity markets.

The London Commodity Exchange, which also runs contracts in sugar and cocoa, said yesterday the coffee market was on course to break its previous annual volume record of nearly 1.4m lots, set in 1979.

Coffee futures are being buoyed up by continuing speculation that supplies will be short later in the year following the Brazilian drought in 1985.

Cocoa futures volume also showed a significant improvement last month over August 1985, with 70,050 lots traded compared with 62,311, but overall sugar volume fell by 28 per cent. In the first eight months of this year, total volume of all LCE contracts was 31 per cent above the same period of 1985.

US peanuts setback 'inevitable'

By Our Commodities Staff

SUPPLIES OF edible peanuts outstripped demand by around 22,500 tonnes in the 1985-86 season, Rotterdam trader Man Producten estimates.

In its latest report Man Producten puts supply at 582,500 tonnes, up 48,500 tonnes from the 1984-85 season. It attributes the rise chiefly to increased exports from the US. The report forecasts lower exports from the US in 1986-87, however, due to expectations of a significantly lower crop which it describes as "inevitable."

Man Producten puts 1985-86 demand for edible peanuts at 560,000 tonnes, a rise of 15,000 tonnes from the previous season mainly attributable to higher imports into the UK, West Germany, Canada and Japan.

While saying that it is too early to indicate demand for the 1986-87 season the report says prices will be higher because of the low crop expected in the US.

The predicted US setback is blamed on drought, which not only delayed plantings but also hampered growth. With insect damage adding to the problems yields are expected to be far below the level of the last two years, Man Producten says.

WEEKLY METALS

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,320-2,430.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.35.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.84-0.88, sticks, 0.85-0.89.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 3.60-3.80.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 127-137.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.95-3.05.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.00-5.20.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 38-46.

VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.45-2.52.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

China tries to boost earnings from rare earth

BY STEFAN WAGSTYL IN CANTON

CHINA IS modernising its production of rare earths in order to increase export earnings from these minerals and their compounds. It is investing in an advanced processing plant and laboratory equipment to extend the range and improve the purity of its products.

Last year China, the second largest producer after the US, processed an estimated 9,000 tonnes of rare earth oxide (REO) more than half of which was exported. Export earnings have been modest, however—an average of $20m annually over the past five years. This is because, despite their name, rare earths are not generally in short supply in relation to demand.

Most of China's exports are made up of rare earth compounds in a mixture of 10 or more different elements which have been extracted from the same ore. These unseparated rare earths are used in making steel, glass and ceramics and in cigarette lighter flints sell for about $1.20 a kg of contained REO.

There is, however, increasing demand for rare earths separated into individual metals and metal oxides—for use in high technology industries including electronics. These products can sell for $1,000 a kg or more: europium, used in coating television screens, costs about $1,400 a kg. It is these products that China wants to develop, taking on competitors who include Molycorp in the US, Johnson Matthey in the UK and several Japanese companies.

China has overcome some formidable technical difficulties but there may be more in the future. Mr Wang Wen Cheng, chief engineer at Yue Long rare earths plant near Shanghai, says that while extracting rare earths from ore is complicated enough separating the elements is even more difficult.

Until the 1960s China was able to produce concentrates of only 30 per cent REO content, mainly extracted from the world's largest deposit of ore at Baotou, Inner Mongolia. In the late 1970s processing improvements raised the REO content to 90 per cent — high enough to use as feedstock for separation.

Specialising in high purity earths Yue Long is China's largest producer — they account for more than 70 per cent of the plant's 1,000 tonnes a year output by weight and much more by value. A much larger rare earths plant at Baotou, with a capacity of some 5,000-6,000 tonnes a year, has also expanded high purity production after installing its third separation line last year.

But according to Wang its high purity output lags behind Yue Long's, which has spent about $750,000 in the last three years on imported analytical equipment and is now installing $700,000 worth of advanced processing plant. Other investments are under consideration.

Wang says that plant is concentrating on two areas—phosphors for coating television radar and other screens; and magnets made of neodymium and samarium. Wang says that these markets are expanding but overseas competition is tough. "The rare earth business is very active in the world nowadays."

LONDON MARKETS

THE RECENT upsurge in the platinum price was checked yesterday, but only after a fresh 5½-year peak had been achieved. The London market price, which had risen $41 a troy ounce last week and another $11.50 on Monday as speculators continued to react to concern over the situation in South Africa, moved further ahead to reach $658.50 at the morning fixing yesterday. But it fell back sharply to stand at $640 an ounce, only $2 up on the day, at the afternoon fixing. On the London Metal Exchange meanwhile the cash aluminium price was boosted to a 2½-month high by news of a strike at Noranda's smelter at New Madrid, Missouri. The price ended the day £11.50 up at £785 a tonne. Coffee futures prices lost some of their recent gains as speculators took their profits. The November position, which advanced £95 last week and another £114.50 on Monday, ended £39.50 down on the day at £2,342.50 a tonne after dipping to £2,310 a tonne at one stage.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Sept 2	Aug 29	Month ago	Year ago
1461.6	1461.1	1440.6	1696.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug 29	Aug 27	Mth ago	Year ago
Spot	118.46	117.98	—	115.25
Fut	120.67	120.55	—	114.47

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 2 1986	+ or −	Month ago
METALS			
Aluminium	$1295/305	+10	$1295/245
Free Market			
Copper			
Cash Grade A	£885.5	+6.75	£871.5
3 mths	£900.75	+8.0	£890.5
Gold Troy oz	$393.00	+0.5	$359
Lead Cash	£270.75	+1.0	£249
3 mths	£272.75	−1.88	£251.87
Nickel			
Free Mkt	170/180c		178/196c
Palladium oz	$144.00	+0.5	$113.85
Platinum oz	$640.00	+2	$467.75
Quicksilver†	$135/145		185/195
Silver troy oz	348.75p	−0.55	346.05p
3 mths	356.85p	−0.55	358.95p
Tin cash			
3 mths			
Tungsten	$56.85		$75.59
Wolfram 22.0lb	$38/46		$42/60
Zinc	£578.5	+4.5	£522.5
3 mths	£581.25	+2.25	£526.5
Producers	$840/880		$840
OILS			
Coconut (Phil)	$350x		$330
Palm Malayan	$260y		$307.5
SEEDS			
Copra (Phil)	$150z	+10	$150
Soyabean (U.S.)	$157		$174
GRAINS			
Barley Fut.Nov.	£107.20		£106.05
Maize	£153.50	+0.50	£140
Wheat Fut.Nov.	£107.20	+0.25	£106.12
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1548.5	−2.5	£1441.5
Coffee Ft. Nov.	£2348.5	−39.5	£1717.5
Cotton A Ind.*	38.30c		45.45c
Gas Oil Oct.	$135.25	+0.75	$130.5
Rubber (kilo)	60.0p	+0.5	59p
Sugar (raw)	$125x	+3	$151
Woolstops 64s	587p kilo		585p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. x Oct. * Cotton outlook. y Nov. z Sept-Oct.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	784.5-5.5	+11.5	782/780
3 months	768.5-9	+8.5	771/761

Official closing (am): Cash 782.5-3.5 (772-2.5); three months 766-7 (761.5-2); settlement 783.5 (772.5). Final Kerb Close: 769-9.5. Turnover: 28190 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/low
Cash	885-6	+6.75	883/880
3 months	900.5-1	+8	903/893

Official closing (am): Cash 880-0.5 (874.5-5); three months 898-7 (891.5-2); settlement 880.5 (875). Final Kerb Close: 901-2.

Standard			
Cash	860-1	+11.25	860/853
3 months	876-80	+9	874/874

Official closing (am): Cash 862-2.5 (845-6); three months 873-4 (865-70); settlement 862.5 (846). US Producer prices 66/69 cents per pound. Total Turnover 44475 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	270.5-1	+1.5	271/271
3 months	272.5-3	+2	271/271

Official closing (am): Cash 270-0.5 (273.5-4); three months 272-2.5 (274.5-5); settlement 270.5 (274). Final Kerb Close: 273-4. Turnover 8400 tonnes. US Spot: 22.25/24 cents per pound.

NICKEL

	Unofficial close (p.m.)	+ or −	High/low
Cash	2520-35	+4.5	—
3 months	2560-5	+5	2565/2545

Official closing (am): Cash 2514-8 (2530-3); three months 2560-5 (2565-8); settlement 2518 (2533). Final Kerb Close: 2560-65. Turnover 1098 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	578-9	+4.9	580/580
3 months	581-1.5	+2.25	584.5/580

Official closing (am): Cash 575.5-5.5 (573-3.5); three months 581-1.5 (578-8.5); settlement 575.5 (573.5). Final Kerb Close: 584-4.5. Turnover: 5225 tonnes. US Prime Western: 44/3.75 cents per pound.

TIN

KUALA LUMPUR TIN MARKET: Close 14.03 (——) ringgit per kg. Up 0.4 ringgit per kg.

GOLD

Gold continued to gain support from the recent strength of platinum on the London bullion market, but closed below the highest levels on profit taking. The metal opened at $394½-395½ and was fixed at $395½ in the morning and $393¾ in the afternoon. It touched a peak of $396½-$397½ and a low of $391½-392½. Gold closed $1½ higher on the day at $392½-$393½.

GOLD BULLION (fine ounce)	Sept 2	
Close	$392½-393½	(£265¼-264)
Opening	$394½-395½	(£264¾-265½)
M'n'g fix	$395.50	(£264.955)
Aft'n'n fix	$393.25	(£263.603)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$392-395	(£263¼-265¼)
½ Krug	$206¼-207¼	(£138½-138¾)
¼ Krug	$105-106	(£70¼-71¼)
1/10 Krug	$42½-43¼	(£28½-29)
Mapleleaf	$402¾-405¾	(£270½-272½)
Angel	$402-405	(£269¾-272)
1/10 Angel	$40½-45½	(£27¼-30¼)
New Sov	$93-96	(£62½-64½)
Old Sov	$98-99½	(£65¾-66¾)
$20 Eagle	$450-500	(£302-335¼)
Noble Plat	$655-665¾	(£439¾-446¾)

SILVER

Silver was fixed 0.55p an ounce lower for spot delivery on the London bullion market yesterday, at 348.75p. US cent equivalents of the fixing levels were: spot 520.5c, unchanged; three-month 527.25c, down 0.05c; six-month 534.10c, down 0.75c; and 546c, down 1.35c. The metal opened at 351-352½p (523-525c) and closed at 346½-348p (517-519c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	348.75p	−0.55	346.25p	−4.25
3 months	356.85p	−0.55	354.50p	−5.5
6 months	364.90p	−1.20	—	—
12 months	380.90p	−1.45	—	—

LME—Turnover: 103 lots of 10,000 oz. Three months high 355.5p, low 355.0p, final kerb 353-5p.

MEAT

Month	LIVE CATTLE Y/day's close	+ or −	LIVE PIGS Y/day's close	+ or −
Sept	98.50	—	—	—
Oct	98.50	−0.30	104.50	+0.10
Nov	99.50	—	103.50	+0.30
Feb	99.50	—	98.50	—
Apr	99.50	—	99.50	—
June	99.50	—	99.00	—

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.47p per kg lw (+0.46). GB—Sheep 149.89p per kg est dcw (+4.65). GB—Pigs 77.85p per kg lw (+1.46).

Cattle sales: 0 (0) lots of 5,000 kg. Pig sales: 0 (1) lots of 3,250 kg.

JUTE

JUTE—July/August 1986, c and f Dundee: BTC $330, BWC $360, BTD $310, BWD $330; c and f Antwerp: BTC $330, BWC $330, BWD $300, BTD $300.

COCOA

Futures opened a little easier and traded over a £17.00 range, finally closing unchanged on the day. Consumer interest was light but producers showed renewed interest at the highs of the day, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
Sept	1495-1500	+5.5	1505-1485
Dec	1548-1549	+5.5	1560-1543
March	1585-1586	+5.0	1600-1585
May	1610-1613	+3.0	1617-1600
July	1625-1628	+7.0	1628-1615
Sept	1644-1645	+7.5	1648-1632
Dec	1662-1665	+7.5	1667-1640

Sales: 5,477 (3,304) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for September 2: 101.46 (101.37); five-day average for September 3: 98.79 (98.79).

COFFEE

With the market failing to conclusively break the previous day's high, profit-taking set in on Robusta futures from the day, reports Drexel Burnham Lambert. The disappointment of a weak New York opening kept values on the defensive but towards the close renewed commission-house buying sparked a rally. Prices ended £29.00-£55.00 lower.

COFFEE	Yesterday's Close	+ or −	Business Done
Sept	2300-2305	−30.0	2355-2285
Nov	2340-2345	−39.5	2385-2310
Jan	2315-2320	−29.0	2350-2280
Mar	2200-2205	−55.0	2260-2188
May	2180-2185	−47.5	2250-2205
July	2190-2250	−50.0	2248-2225
Sept	2200-2220	−45.0	2255-2255

Sales: 7,338 (8,771) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 2: Comp. daily 1979 : 15-day average.

SOYABEAN MEAL

Prices were on the defensive throughout the session with commercials side-lining and professionals light sellers in a quiet trading period, reports Muirpace.

	Y'ster'd'ys close £ per tonne	+ or −	Business done
October	134.5-134.5	−0.50	134.0-134.5
Dec	131.1-131.5	−0.45	131.0-131.5
Feb	132.5-132.5	−0.55	132.5-132.5
April	133.5-134.5	−0.55	—
June	132.0-133.0	−0.25	—
August	131.2-132.0	−0.15	—
October	132.5-134.5	−0.25	—

Sales: 192 (1,043) lots of 20 tonnes.

GRAINS

Pressure on spot positions was again evident on wheat and barley with values losing 50p on wheat before rallying on commission house support, whereas barley again attracted shipper support reflecting export commitments particularly on January and March, reports T. G. Roddick.

Mnth	WHEAT Yesterday's Close	+ or −	BARLEY Yest'rdy's Close	+ or −
Sept	105.50	−0.50	104.35	−0.85
Nov	107.20	−0.25	107.20	—
Jan	110.00	−0.20	109.75	+0.10
Mar	112.40	—	112.05	+0.25
May	114.85	−0.05	113.35	—
July	115.55	+0.25	—	—

Business done—Wheat: Sept 105.75-5.50, Nov 107.40-7.00, Jan 110.05-9.95, Mar 112.45-11.95, May 114.95-14.85, July 115.85-15.90. Sales: 212 lots of 100 tonnes. Barley: Sept 104.40-4.35, Nov 107.25-7.00, Jan 109.75-9.60, Mar 112.05-11.70, May 113.35-113.15. Sales: 168 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent, Sept 93.50, Oct 95.25, Nov 97.50. US No 2 Soft red winter Sept 95.00, Oct 95.25, Nov 96.00. French 11½-12 per cent Sept 129.00. English Feed fob Sept 110.00-111.00 buyer/seller, Oct/Dec 112.50, Jan-Mar 116.50 seller. Maize: US No 3 Yellow/French transhipment east coast Sept 153.50. Barley: English Feed fob Sept 107.00-107.75, Oct 110.00-110.25 buyer/sellers, Oct/Dec 112.75, Jan/Mar 119.50 seller.

HGCA—Locational ex-farm spot prices. Feed wheat: S. East 104.10, S. West 104.20, W. Mids 104.40, N. East 108.80. Feed barley: S. East 102.30, S. West 101.30, W. Mids 98.70, N. East 99.70. The UK monetary coefficient for the week beginning Monday, September 8 (based on HGCA calculations using five days' exchange rates) will remain unchanged.

POTATOES

Speculation that the PMB would announce a reduced planted area figure following its executive meeting yesterday morning proved fruitless. The bulletin released at midday merely confirmed earlier returns of 160,410 hectares. London had initially rallied over £4 during early morning trade but quickly tumbled at the afternoon opening as disappointed longs cut positions forcing values down to close at the lows, £6.80 down on the day.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	110.50	113.00	118.50-110.50
Feb	125.00	125.50	—
Apr	155.10	161.80	166.00-155.00
May	171.00	177.50	180.50-172.00
Nov	85.00	85.00	—

Sales: 1,443 (1,312) lots of 40 tonnes.

OIL

Early September Forties sold at $14.55 and 30 days September Brent at $14.83. Forward Brent traded several times in each month October through December. October WTI opened 25 cents up against Friday close on Nymex and traded 32 cents up by 1.30 pm EDT. In the petroleum products market gas oil prices rose on sustained buying interest for prompt and forward delivery. Mogas prices firmed on good European buying interest and reports of recent deals at higher numbers. Sellers of heavy fuel remained very bullish—Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—Sept.	Latest	Change + or −
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.10-13.20	+0.40
Brent Blend	14.75-14.85	+0.02
W.T.I. (1pm est)	16.10-16.20	+0.372
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

Premium gasoline	201-203	+1.50
Gas Oil	131-136	+1
Heavy fuel oil	74-76	+9
Naphtha	120-125	+0.50

GAS OIL FUTURES

Month	Yst'rday's Close US $ per tonne	+ or −	Business Done
Sep	133.25	+1.75	135.75-31.50
Oct	135.25	+0.75	138.50-37.50
Nov	142.00	—	143.50-41.25
Dec	146.25	+1.50	147.00-45.00
Jan	147.75	+2.25	148.50-47.00
Feb	—		—

Turnover: 2,223 (849) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 60.00p (59.50p); Oct 59.50p (59.00p); Nov 59.50p (59.00). The Kuala Lumpur fob price (Malaysian cents per kilo): RSS No 1 217.00 (——) and SMR 20 188.00 (——).

FUTURES—Index 586, Oct 590-595, Oct/Dec 590-595, Jan/Mar 600-603, April/June 612-617, July/Sept 614-620.

SUGAR

LONDON DAILY PRICE—Raw sugar $125.00 (£83.50), up $3.00 (up £1.50) a tonne for September-October delivery. White sugar $181.00, up $3.00.

No. 6 Con-tract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Oct	118.4-118.6	117.4-117.6	119.0-112.6
Dec	122.2-125.4	124.5-126.8	127.4-127.4
Mar	136.0-136.4	138.8-139.0	141.4-135.4
May	140.8-141.0	143.2-143.8	144.4-141.8
Aug	146.8-147.0	148.2-149.0	150.5-147.5
Oct	150.0-151.0	152.5-155.4	154.0-151.0
Dec	154.0-157.0	154.0-163.8	—

Sales: 2,804 (1,433) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £185.00 (£183.50) a tonne for export.

PARIS—(FFr per tonne): Oct 1202/1210, Dec 1200/1205, Mar 1228/1230, May 1250/1265, Aug 1290/130, Oct 1325/1335.

FREIGHT FUTURES

Rumour of a fixture at $11.75 (+0.25) continued to help bullish sentiment after 15 successive rises in the BFI.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	786/789	787/778	787/789
Jan.	799.5/800	800/792	782/789
April	830/850	859	825/830
July	770/773	773	756/760
Oct.	800/840	—	819/850
Jan.	820/855	—	810/825
Apr.	910/920	—	900/925
July	820/860	—	810/860
BFI.	678.5	—	673.0

Turnover: 132 (64).

	Close	High/Low	Prev.
Tankers			
Sep.	1020/1120	1050	1050/1120
Oct.	1300/1375	—	1290/1380
Dec.	—	—	1170/1220
Mar.	—	—	1070/1150
June.	—	—	1250
BTI	1225	—	1240.5

Turnover: 20 (14).

US MARKETS

PRECIOUS METALS again dominated the traditional commodity markets in New York, with platinum extending its recent bullish run by recording a $25 limit move to the upside to hit $651.30 per ounce in the leading October delivery. Gold futures also responded, with a strong spot market encouraging the maintenance of long positions and the breakthrough of $400.00 per ounce on the December position triggering a number of stops to take the market to new contract highs at $413 before settling at $411. The breach of the important psychological resistance at $400 was seen as decisive for the near term prospects for the market. New York coffee futures disappointed many of its recent observers, losing over 2 cents net since last Friday's close, following expectations of a good test of the $2.10 level in the leading December delivery. A strong London market during the American one-day holiday had prompted many to re-establish long positions on the opening, but the market encountered steady liquidation pressure at $2.07 from commission-house sources.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	52.75	52.35	52.20	51.65
Oct	52.90	—	—	52.10
Nov	53.25	—	—	52.45
Dec	53.50	53.50	53.00	52.60
Jan	53.70	—	—	52.80
March	53.85	—	—	53.00
May	54.20	—	—	53.35
July	54.45	—	—	53.60
Sept	54.65	—	—	53.80
Dec	54.75	—	—	53.90

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Sept	2062	2062	2047	2049
Dec	2148	2150	2116	2129
March	2187	2198	2168	2176
May	2216	2200	2189	2196
July	2236	2223	2210	2209
Sept	2253	2230	2220	2227
Dec	2268	2250	2232	2247

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Sept	200.50	203.00	—	102.75
Dec	202.05	107.00	202.00	204.36
March	198.80	204.00	198.75	201.50
May	197.96	202.00	199.90	199.50
July	198.25	199.00	198.00	198.00
Sept	195.75	—	—	198.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	60.60	61.25	57.75	57.50
Oct	60.90	—	—	58.15
Nov	61.00	—	—	58.25
Dec	61.25	61.60	58.70	58.46
Jan	61.45	—	—	58.65
March	61.50	62.20	59.30	59.00
May	62.15	62.10	59.75	59.40
July	62.50	61.30	60.10	59.75
Sept	62.50	60.55	60.55	60.10
Dec	63.50	—	—	60.75

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	36.77	36.83	35.45	36.28
Dec	37.75	37.80	36.38	36.28
March	38.87	38.90	37.60	37.52
May	39.80	39.90	38.38	38.40
July	40.55	40.70	39.10	39.11
Oct	41.35	39.75	39.65	38.97
Dec	42.00	42.10	40.40	40.63

CRUDE OIL (LIGHT) 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Oct	—	16.49	16.12	15.90
Nov	—	16.48	14.06	15.88
Dec	—	19.37	16.00	15.85
Jan	—	16.20	15.80	15.75
Feb	—	16.00	15.73	15.65
March	—	15.85	15.62	15.55
April	—	15.68	15.59	15.52
May	15.64	15.70	15.53	15.50
June	15.58	15.68	15.58	15.49
July	15.58	15.68	15.55	15.48

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	405.7	399.5	392.0	387.6
Oct	407.6	410.0	393.5	389.5
Nov	409.8	—	—	396.4
Dec	411.5	413.0	397.1	393.3
Feb	414.8	419.0	400.0	396.5
April	417.8	419.0	404.0	399.4
June	421.1	421.5	406.5	402.6
Oct	428.0	430.0	414.0	408.3

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	101.20	101.70	99.30	100.10
Nov	103.35	103.40	101.70	101.50
Jan	105.30	105.30	104.00	103.25
March	106.25	106.68	106.20	106.00
May	108.00	108.00	108.00	106.20
Sept	109.50	109.50	109.00	108.55
Jan	110.15	—	—	108.50

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Oct	45.76	45.90	45.20	44.59
Nov	47.09	47.15	46.40	45.80
Dec	48.22	48.25	47.55	46.85
Jan	48.79	48.80	48.05	47.38
Feb	48.88	48.80	48.10	47.25
March	45.89	46.15	45.50	44.65
April	44.24	44.20	43.90	42.95
May	42.89	42.95	42.70	41.70
June	42.59	—	—	41.30

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	653.2	654.8	640.0	634.6
Oct	651.3	651.3	630.0	626.3
Nov	—	—	—	—
Jan	653.8	653.8	643.0	628.8
April	655.8	655.8	646.0	630.6
July	658.3	658.3	650.5	633.3
Oct	661.8	665.0	655.0	636.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	542.5	546.0	518.5	514.7
Oct	546.0	—	—	517.5
Nov	547.2	—	—	523.7
Dec	550.8	552.0	524.0	523.9
Jan	553.0	530.0	530.0	525.5
March	558.3	556.0	532.5	530.7
May	563.0	561.0	537.0	536.7
July	568.9	563.0	544.0	541.0
Sept	574.6	563.5	553.0	548.6
Dec	583.5	570.0	558.0	555.4

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Oct	6.07	6.32	6.01	6.22
Jan	6.00	5.90	5.60	5.82
March	6.06	6.28	6.01	6.16
May	6.27	6.49	6.26	6.40
Sept	6.52	6.52	6.52	6.58
Oct	4.87	3.86	6.60	6.79

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	61.52	62.30	61.45	61.77
Dec	58.92	59.80	58.85	59.42
Feb	57.92	58.67	57.90	58.40
April	59.00	59.55	58.95	59.16
June	58.85	59.90	58.50	58.75
August	57.90	57.80	57.40	—

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	57.92	58.25	57.25	57.72
Dec	56.10	56.25	55.27	55.76
Feb	54.22	54.50	53.25	53.55
April	48.67	48.85	47.80	48.05
June	49.82	49.90	49.00	49.46
July	49.20	49.35	48.70	48.27
August	—	—	—	46.32
Oct	43.35	43.35	42.25	42.55

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Sept	151.0	152.8	150.4	154.2
Dec	163.0	164.0	162.6	165.2
March	174.8	175.4	174.4	176.2
May	182.2	182.8	181.8	183.0
July	186.0	187.0	185.4	186.4
Sept	187.4	187.8	187.0	187.0
Dec	195.0	195.2	193.0	193.6

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	77.82	77.82	76.50	75.82
March	76.87	76.87	75.25	74.87
May	75.86	76.86	73.85	73.85
July	73.86	74.00	72.50	72.00
August	—	—	—	69.57

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Sept	470.0	476.4	467.4	482.6
Nov	470.0	473.0	467.2	479.4
Jan	479.2	481.0	475.0	488.2
March	488.2	490.0	485.0	496.5
May	494.0	496.0	491.9	502.0
July	496.5	499.0	493.0	504.2
August	495.0	498.0	491.4	503.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Sept	151.9	154.0	151.4	155.3
Oct	150.0	150.1	148.5	151.9
Dec	151.1	151.2	149.5	152.8
Jan	151.5	152.0	150.6	153.7
March	152.7	153.0	151.0	155.0
May	154.0	154.0	152.5	155.3
July	155.0	155.0	153.0	156.2
August	153.5	153.5	153.0	155.2
Sept	152.5	—	—	153.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Sept	13.07	13.30	12.95	13.56
Oct	13.21	13.40	13.10	13.66
Dec	13.74	14.01	13.63	14.23
Jan	13.88	14.12	13.81	14.36
March	14.20	14.45	14.10	14.66
May	14.42	14.70	14.40	14.90
July	14.56	14.95	14.56	15.05
August	14.65	15.10	14.65	15.15
Sept	14.68	15.10	14.68	15.22

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Sept	254.4	259.0	253.5	258.4
Dec	257.6	261.0	257.4	261.2
March	256.2	257.8	256.0	257.6
May	245.2	247.0	245.0	246.4
July	239.4	241.0	239.2	240.2
Sept	239.4	—	—	240.2

SPOT PRICES—Chicago loose lard 13.75 (—) cents per pound. Handy and Harman silver bullion 393.50 (384.85) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Slight boost for dollar

THE DOLLAR gained a little support from encouraging economic news yesterday, but overall sentiment remained depressed by Friday's announcement of a $18.04bn trade deficit in July. The next major US economic data are unemployment figures on Friday, but in the absence of other news the market took note of the August survey of US purchasing managers, plus figures on factory orders and construction spending. Rumours of a sharp fall in the purchasing managers composite index to 42.6 per cent proved incorrect. The August figure rose to 52.6 per cent from 46.7 per cent and helped underpin the dollar. The rise of 2.2 per cent in July factory orders and 0.5 per cent in construction spending were in line with expectations and also helped prevent a further weakening of the US currency.

The reluctance of the market to attack a technical support level of around DM 2.02 added support the dollar. Although dealers generally expect the US currency to fall below DM 2.00 and Y150 in the near future these levels are seen as psychological barriers, where the central banks may be tempted to test the market's resolve.

The dollar rose to DM 2.0315 from DM 2.0240; to FFr 6.66 from FFr 6.6475; to SFr 1.6390 from SFr 1.6330; and to Y154.25 from Y153.80.

On Bank of England figures the dollar's index was 110.2.

£ IN NEW YORK

Sept. 2	Latest	Prev. close
Spot	$1.4870-1.4880	$1.4925-1.4935
1 month	0.54-0.51 pm	0.54-0.51 pm
3 months	1.57-1.53 pm	1.57-1.53 pm
12 months	5.55-5.15 pm	5.25-5.15 pm

Forward premiums and discounts apply to the US dollar

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3790. August average 1.4876. Exchange rate index rose to 71.1 from 71.0, compared with 73.3 six months ago.

Sterling was very quiet, moving in line with the dollar, and gaining a little ground against the yen and most Continental currencies. The pound lost 10 points to $1.4890-1.4900, but rose to DM 3.0250 from DM 3.0175; to FFr 9.92 from FFr 9.91; to SFr 2.4425 from SFr 2.4350; and to Y229.75 from Y229.25.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0240. August average 2.0634. Exchange rate index 140.4 against 135.4 six months ago.

The D-Mark lost a little ground to the dollar in quiet trading on the Frankfurt foreign exchanges. The very large US trade deficit of $18.04bn in July, announced on Friday, undermined the dollar, but fear of intervention by the Bundesbank if the market pushes the US currency towards DM 2.00 prevented heavy selling. Covering of short dollar positions was balanced by demand for D-Marks to buy German shares, but there was no reaction to the terms of yesterday's securities repurchase agreement, providing liquidity for the German domestic money market, which suggested the Bundesbank remains reluctant to cut its discount rate. At yesterday's fixing in Frankfurt the Bundesbank did not intervene when the dollar was fixed unchanged from Monday at DM 2.0281. At the Frankfurt close the dollar had advanced slightly to DM 2.0285 from DM 2.0275.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. August average 154.15. Exchange rate index 215.8 against 189.9 six months ago.

The yen eased against the dollar in very quiet Tokyo trading. The dollar rose to Y154.20 from Y154.00 on light corporate demand, but Far East dealers were not prepared to take a fresh initiative on the value of the currency before the US returned from a long weekend holiday. The market was generally nervous, seeing a possible fall of the dollar below Y150 some time this week, but also expecting fairly strong resistance at that level, including intervention by the Bank of Japan.

POUND SPOT—FORWARD AGAINST POUND

Sept 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4880-1.4975	1.4890-1.4900	0.56-0.53c pm	4.39	1.58-1.55 pm	4.20
Canada	2.0630-1.0711	2.0635-2.0645	0.41-0.31c pm	2.08	0.99-0.88 pm	1.76
Nethlnd.	3.40¾-3.42	3.41-3.42	1½-1¼c pm	4.83	4¼-3½ pm	4.68
Belgium	62.52-62.80	62.60-62.70	17-13c pm	2.87	42-37 pm	2.52
Denmark	11.43¾-11.45¾	11.44-11.45	⅞-par ore pm	0.39	1⅛-2¼ dis	−0.76
Ireland	1.0980-1.1040	1.1000-1.1010	par-0.10p dis	−0.55	0.10-3.30dis	−0.73
W. Ger.	3.01½-3.03	3.02-3.03	1½-1¼pf pm	5.46	4¼-4 pm	5.45
Portugal	215.16-217.16	215.16-216.80	95-160c dis	−7.08	255-470 dis	−8.71
Spain	198.46-199.02	198.48-198.77	65-75c dis	−5.93	120-170 dis	−2.92
Italy	2063½-2060¾	2066¼-2067¼	2-5lire dis	−2.01	7-10 dis	−1.63
Norway	10.84½-10.87¾	10.85-10.86	3½-4¼ore dis	−4.21	11¾-12¼ dis	−4.44
France	9.89½-9.92¾	9.91½-9.92½	2¾-2¼c pm	2.96	6¾-6 pm	2.65
Sweden	10.23-10.25¾	10.23¾-10.24¾	½-¼ore pm	0.51	1¾-1 pm	0.51
Japan	228¼-230¼	229¼-230¼	1¼-1¼y pm	5.22	3-2¾ pm	5.01
Austria	21.26-21.32	21.28-21.29	9¼-8¼gro pm	5.01	24¼-21¾ pm	4.28
Switz.	2.43¼-2.44¾	2.43¾-2.44¾	1¼-1¼c pm	6.14	3¾-3½ pm	0.73

Belgian rate is for convertible francs. Financial franc 63.40-63.50. Six-month forward dollar 2.94-2.89c pm. 12-month 5.43-5.33c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4880-1.4975	1.4880-1.4900	0.56-0.53c pm	4.38	1.59-1.54 pm	4.20
Ireland†	1.3518-1.3585	1.3540-1.3560	0.55-0.45c pm	4.43	1.75-1.45 pm	4.72
Canada	1.3847-1.3888	1.3860-1.3870	0.25-0.28c dis.	−2.28	0.84-0.90dis	−2.49
Nethlnd.	2.2845-2.2930	2.2815-2.2825	0.12-0.09c pm	0.55	0.32-0.27 pm	0.52
Belgium	41.85-42.10	42.00-42.10	6-7c dis	−1.72	16-21 dis	−1.76
Denmark	7.66¼-7.68½	7.68-7.68½	1.75-2.35ore dis	−3.21	5.50-7.10dis	−2.56
W. Ger.	2.0230-2.0336	2.0310-2.0320	0.24-0.21pf pm	1.33	0.64-0.58 pm	1.21
Portugal	145-145½	145¼-145½	120-160c dis	−11.58	330-470dis	−11.03
Spain	133.03-133.48	133.30-133.40	85-95c dis	−8.11	225-255 dis	−7.20
Italy	1397½-1402	1400¼-1401¼	7-8¼lire dis	−6.65	20-22 dis	−6.00
Norway	7.27-7.29	7.28½-7.29	5.20-5.60ore dis	−6.67	15.65-10.00d	[illegible]
France	6.63½-6.66½	6.65½-6.66½	0.85-0.95c dis	−1.93	2.80-3.10dis	−1.78
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−3.75
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.96
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.21
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.55

†UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.55-42.65.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

CURRENCY MOVEMENTS

Sept. 2	Bank of England Index	Morgan Guaranty Change %
Sterling	71.1	−21.7
U.S. Dollar	110.2	+1.8
Canadian Dollar	77.8	−12.9
Austrian Schilling	151.6	+8.2
Belgian Franc	96.9	−6.3
Danish Kroner	88.5	+0.4
Deutsche Mark	140.4	+19.9
Swiss Franc	169.6	+25.2
Guilder	129.7	+12.0
French Franc	69.8	−13.7
Lira	47.7	−16.0
Yen	215.8	+81.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Sept. 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.815899	0.693680
US $	5½	1.21520	1.03497
Canadian $	8.63	*	1.43875
Austria Sch	4	17.3558	14.7794
Belgian Fr.	8	51.0884	43.4658
Danish Kr.	7	9.32544	7.94444
D'mark	3½	2.46456	2.09923
Guilder	4½	2.78035	2.36853
French Fr.	9½	8.07855	6.88204
Lira	12	1701.40	1448.70
Yen	3½	186.710	159.489
Norway Kr.	6	8.84180	7.53881
Spain Pta.	—	161.895	137.910
Swedish Kr.	8	8.34842	7.10611
Swiss Fr.	4	1.98857	1.69290
Greek Drch	20½	162.290	138.448
Irish Punt	—	0.896827	0.765534

* C$/SDR rate for Aug 29: 1.68516.

OTHER CURRENCIES

[illegible]

* C$/SDR rate for Sept 1: [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Weaker trend

PRICES WEAKENED on the London International Financial Futures Exchange yesterday, following signs of slightly stronger growth in the US economy than expected. It had been rumoured that a survey of US purchasing managers would be particularly depressing, with the composite index at a depressed 42.6 per cent, but this proved incorrect. The index was 52.6 per cent in August, compared with 46.7 per cent in July. The next important US statistic is unemployment, on Friday, but in the meantime the market found figures on US factory orders and construction spending, published yesterday, in line with expectations. July factory orders rose 2.2 per cent and construction spending in the same month increased by 0.5 per cent.

December delivery US Treasury bonds opened at 101-18, near the day's peak of 101-20, and fell to a low of 100-31, before closing at 101-10, compared with 101-26 on Monday.

Long term gilts for December delivery opened at 122-00, and rose to a technical resistance point of 122-07, which proved to be the day's peak. The contract closed at 121.20 compared with 122-04 previously, with prices falling back on profit taking in the cash market.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE E/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	171.00	171.00	169.10	170.50
Dec	174.25	174.60	172.50	173.75
March	177.35	—	—	175.85

Est. volume 527 (615)
Previous day's open int. 2,386 (2,555)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	101.30	102.10	101.17	102.14
Dec	101.10	101.20	100.31	101.26
March	100-13	—	—	100-29

Est. volume 4,348 (366)
Previous day's open int. 5,498 (5,387)

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

STERLING INDEX

	Sept 2	Previous
8.30 am	71.1	71.0
9.00 am	71.1	70.9
10.00 am	71.1	70.9
11.00 am	71.1	70.9
Noon	71.1	71.0
1.00 pm	71.1	70.9
2.00 pm	71.1	70.9
3.00 pm	71.1	71.0
4.00 pm	71.1	71.0

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING $ per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

MONEY MARKETS

London rates steady

INTEREST RATES remained steady in quiet trading on the London money market yesterday. There were no new factors to influence the market and sterling showed little change on the foreign exchanges. Three-month interbank was unchanged at 9 13/16-9 11/16 per cent.

The Bank of England initially forecast a money market shortage of £600m, but revised this to £550m in the afternoon, and provided total assistance of £531m.

Before lunch the authorities bought £114m bills outright, by way of £17m bank bills in band 2 at 9 13/32 per cent; £4m local authority bills in band 3 at 9⅜ per cent; and £23m bank bills in band 3 at 9⅜ per cent.

In the afternoon another £567m bills were purchased outright, through £38m bank bills in band 1 at 9 7/16 per cent; £385m bank bills in band 2 at 9⅜ per cent; and £140m bank bills in band 3 at 9⅜ per cent.

Late assistance of around £150m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £535m, with the unwinding of repurchase agreements absorbing £226m, and bank balances below target £240m. These outweighed Exchequer transactions adding £250m to liquidity and a fall in the note circulation of £65m.

In Frankfurt the West German Bundesbank injected a net DM 3.7bn into the domestic money market at yesterday's two tranche tender for securities repurchase agreements. The shorter agreement was by far the most popular with the banks, indicating nervousness that the Bundesbank might cut interest rates at the next council meeting on September 11. At yesterday's tender the central bank accepted bids of DM 12.6bn, including DM 11.3bn for a 35-day agreement at a fixed rate of 4.35 per cent, and DM 1.3bn for a 63-day pact at 4.40 per cent. These replaced two expiring agreements of DM 8.9bn. Funds will be allocated to the banks today. Banks bid DM 18.8bn for the 35-day agreement, while bids for the 63-day agreement were met in full.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

[illegible]

MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. September 2)

[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

[illegible]

Company Notices

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
102[illegible]	100[illegible]	Exch. 14pc 1986	100[illegible]	–[illegible]	[illegible]	10.14
[illegible]	94[illegible]	Exch. 2½pc 1986	98[illegible]	+[illegible]	[illegible]	7.84
[illegible]	100[illegible]	Exch. 13¼pc 1987	101[illegible]	–[illegible]	[illegible]	9.69
[illegible]	97[illegible]	Treas 10¼pc Cv '87	100[illegible]	–[illegible]	[illegible]	9.72
97[illegible]	92[illegible]	Exch 2½pc 1987	97[illegible]	.....	[illegible]	7.36
[illegible]	97[illegible]	Exch. 10½pc 1987	100[illegible]	.....	[illegible]	9.61
[illegible]	93[illegible]	Funding 6½pc '85-87‡‡	98[illegible]	+[illegible]	[illegible]	8.84
[illegible]	96[illegible]	Treas. 10pc 1987	100[illegible]	.....	[illegible]	9.58
97[illegible]	90[illegible]	Treas 3pc 1987	96[illegible]	–[illegible]	[illegible]	7.33
[illegible]	99[illegible]	Treas. 12pc 1987	102[illegible]	–[illegible]	[illegible]	9.59
[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97[illegible]	–[illegible]	[illegible]	9.21
104	96[illegible]	Exch 10½pc '88	101[illegible]	.....	[illegible]	9.48
102[illegible]	95[illegible]	Treas 9½pc Cv '88	100[illegible]	.....	[illegible]	9.48
94[illegible]	86[illegible]	Transport 3pc '78-88	92[illegible]	+[illegible]	3.25	7.19
102[illegible]	93[illegible]	Treas. 9½pc '88	99[illegible]	.....	9.51	9.54
107[illegible]	98[illegible]	Treas 11½pc 1989	104[illegible]	.....	11.00	9.39
103[illegible]	93[illegible]	Treas 9½pc Cnv. '89	100[illegible]	.....	9.48	9.40
92[illegible]	82[illegible]	Treas 3pc 1989	89[illegible]	+[illegible]	3.34	7.19
105[illegible]	95[illegible]	Treas 10½pc 1989	102[illegible]	–[illegible]	10.24	9.43
104[illegible]	94[illegible]	Exch 10pc 1989	101[illegible]	.....	9.86	9.43
107[illegible]	97	Exch 11pc 1989	104[illegible]	.....	10.55	9.39
93[illegible]	84[illegible]	Treas 5pc 1986-89	91[illegible]	+[illegible]	5.49	8.33
110[illegible]	94[illegible]	Exch 10¼pc Cv '89	103[illegible]	–[illegible]	9.76	8.38
114[illegible]	105[illegible]	Treas 13pc 1990‡‡	110[illegible]	.....	11.77	9.28
[illegible]	97[illegible]	Exch 11pc 1990‡‡	104[illegible]	.....	10.49	9.31
[illegible]	101[illegible]	Exch. 12½pc 1990	109[illegible]	.....	[illegible]	9.34

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

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Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

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INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

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LEISURE

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Motors and Cycles

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Components

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Garages and Distributors

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[illegible]

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[illegible]

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[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
78	50	Anglo-Dominion	64½	.....	—	—	—
42	22	Anglo Utd Dev	22	.....	1.07	♦	6.8
80	33	♥Colby Res Corp	36	.....	—	—	—
300	115	Cons. Murch. 10c	165	+15	Q100c	♦	12.2
34	26	♥Ennex Int. Ir10p	26	.....	—	—	—
108	70	Greenwich Res	108	+3	—	—	—
157	93	Hampton Areas 10p	146	.....	♦1.0	—	1.0
327	165	♥Highwood Res	290	.....	—	—	—
£19¾	£13¾	Homestake Mining $1	£16¼	.....	Q20c	—	0.8
319	175	♥McFinley Red Lake	175	.....	—	—	—
285	144	♥Musto Explorations	215	.....	—	—	—
51	28	♥New Sabina Res C$1	29	.....	—	—	—
285	200	Northgate C$1	260	.....	—	—	—
790	513	RTZ	607	−16	22.0	2.8	5.1
£164	£135	Do. 9¾pcLn '95-2000	£231½	+½	Q9½%	15.5	7.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p	59	−1
Craig & Rose £1	£13½	.....
Finlay Pkg. 5p	42	−1
Holt (Jos) 25p	825	.....
IoM Stm. £1	73	.....
IRISH		
Fund 11¼% 1988	£101¼	...
Nat. 9¾% 84/89	£98	.....
Fin. 13% 97/02	£108½	.....
Arnotts	305	.....
CPI Hldgs	45xd	+1
Carroll Inds.	120	−3
Dublin Gas	30	.....
Hall (O. & H.)	74	.....
Helton Hldgs.	27	.....
Irish Ropes	90	.....
Unidare	222xd	.....

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LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Mid-morning bout of profit-taking halts equity market run

Light profit-taking halted the eight-day run of rising share prices after leading stocks in London had initially extendad their advance. The promising early tone occurred in the absence of fresh background news and lack of a guide from Wall Street, closed on Monday for the Labour Day holiday.

Equity dealers raised their opening prices probably as a test for further institutional activity, but the move provided an opportunity for professional operators to dispose of stock. The temptation to realise the large profits made over the past three weeks has been obvious for several sessions but short-term holders have held back because of the recent institutional demand.

Snap decisions were made during a mid-morning lull in trade and the sales ranged from blue chip to the more speculative issues. Many jobbers welcomed the profit-taking, which enablad them to rectify short book positions, and said that the market would be healthier for the modest shake-out.

The FT-SE 100 Share Index went from 5.1 up at 9.29 am to stand 9.2 down on balance at 11.38 am. From then onwards, the losses were gradually reduced on isolated bouts of business in the wake of the ebb and flow of the US market. The Dow Jones Index posted an early rise before falling back, but top-quality stocks in London refused to follow in the late business and the index closed only 5.0 down on balance at 1667.8. The FT Ordinary share settled 2.7 off at 1320.0.

Gilt-edged securities improved and neared the authorities' selling level for supplies of the long-taplet before drifting back to end ½ lower on the day. Traders appeared to have sufficient stock. The shorts showed little change but index-linked were beneficiaries of revived hedge buying against equity commitments and rose ½ in places.

Banks easier

The major clearing banks' recent good run faltered with the onset of light profit-taking. Barclays settled 5 off at 517p, while Lloyds, 465p, and NatWest, 565p, both lost 7. Midland were a resilient market and, after easing to 572p, picked up to close unchanged at 577p. Australian banks moved ahead reflecting firmer domestic markets; ANZ rose 9 to 214p, National Bank Australia 5 to 225p and Westpac 5 to 197p.

The Composite Insurance sector maintained an even keel pending interim results from Guardian Royal Exchange and Sun Alliance, both scheduled for today. GRE were finally 4 dearer at 879p and SA 5 firmer at 727p. Life issues made further progress initially before easing back to close with only minor gains on balance. Among Lloyds brokers, Willis Faber attracted late support and closed 10 higher at 422p. Sedgewick rallied 6 to 348p and Minet improved 4 to 255p.

PR and advertising group Broad Street Group staged e successful debut in the Unlisted Securities Market; the shares, placed at 43p, opened at 52p and moved up to 58p prior to closing at 55p, a first-day premium of 8.

Renewed suggestions that Elders IXL may divert its attentions to Hanson Trust's Courage arm instead of renewing its assault, given Monopolies Commission approval, on Allied-Lyons made for a nervous showing by AL; down to 348p at one stage, the shares later staged a useful rally, but still finished 2 off on the session at 353p. Other Breweries were irregular. Bass advanced 18 to 768p, but Whitbread A eased a few pence to 275p.

Interest in leading Building issues tailed off and quotations settled e shade easier in places. RMC slipped a cooplo of pence to 682p and Redland softened a penny to 459p. AMEC, a firm markat recently reflecting the interim results, camo back 3 to 294p, while Barratt Developments gavo up 2 at 142p. On tha other band, recently dull John Laing revived with a gain of 5 et 411p and Alfred McAlpine firmed 4 to 442p; tho latter's interim results are due next Tuesday. Elsewbere, Polypipe rose 15 to 170p in belated response to Press comment, while Ward Holdings, a dull market since the results, rallied 11 to 276p. Sharpe and Fisher added a couple of pence to 140p in reply to the good interim results and confident statement, while Gibbs and Dandy A, half-timer due on Friday, gained 3 to 40p. Phoenix Timber closed 2 better et 90p, after 87p, following details of the annual results and £5.2m share placing via an issue of 7.2m shares at 75p per share. Magnet and Southerns eased 4 to 184p and Meyer International lost 2 at 254p.

ICI, boosted by publicity given to a broker's forecast, edged np ½ more to a new peak of £11. Laporte, interim figures due around the middle of the month, hardened a few pence to 388p, while Allied Colloids firmed 5 more to 225p. Wardle Storeys were 3 np at a 1986 peak of 350p and Croda International gained a like amount to 150p following the sale of its Masterlube subsidiary to Hargreaves. Rentokil attracted buyers and firmed 4 to 142p.

Interest among Ratailers was mainly confined to secondary issues. Jewellers returned to the fore as investors continued to assess Combined English Stores' acquisition of Zales and clearly hoped for further ratioballsation in the sector. Ratners improved a couple of pence to 215p, while Goldsmiths, still responding to the 12.3 per cent stake held by Swinton Insurances Services, put on 2 more to 226p. Recently dull Time Products, rallied 2½ to 72½p. Revived speculation support was also noted for Austin Reed A, up 5 at 152p, Executex Clothes, 8 to the good et 135p and Alexon, 7 better at 182p. DIY-concern Wickes revealed pleasing interim figures and touched 186p before settling 7 dearer on balance et 183p, while James Beattie, also announcing mid-term results, hardened 2 to 98p. With the exception of W. H. Smith A, 4 up at 284p, leading Stores drifted lower in quiet trading. Woolworth dipped 5 to 670p, while losses of 4 were common to Dixons, 388p, and Harris Queensway, 238p.

United Scientific up

Revived bid speculation left United Scientific 10 dearer at 160p in the Electrical sector. Elsewhere, comment on the first half recovery prompted a further rise of 2 to 60p in Acorn for a two-day gain of 14. Logica hardened 5 to 210p on news that the company is to participate in two of the Star Wars research programmes contracted out by the Ministry of Defence. Cambridge Electronic rallied 5 to 197p, while Bowthorpe encountered support and put on 15 to 550p, the latter is due to report interim figures on October 7. Leading issues closed a few pence lower, but British Telecom gave up 6 to 198p awaiting the first quarter figures expected to be announced next Wednesday.

Engineers provided several noteworthy movements. APV featured with a gain of 23 at 585p; the interim results are expected next Wednesday. Hall Engineering, in which Regent Crest recently announced a 7.1 per cent stake, encountered further buying and put on 12 to 186p, while IMI responded to the interim figures by rising 5 to 173p. Delta, expected to announce half-year results on September 12, were supported and closed 8 to the good at 194p. Other bright spots included Deritend, 8 better at 268p, and Laird Group, which improved 3 further to 244p. TI, in which Evered recently disposed of its holding, drifted off 3 more to 471p; it was announced yesterday that the Kuwait Investment Office has acquired a 14.86 per cent stake.

Leading Foods displayed a slightly easier bias although Unigate, mentioned as a possible bidder for Bernard Matthews, firmed 5 more to 303p; Matthews, a firm market recently, shed 12 to 270p as the company denied knowledge of any bid approach. Cadbury Schweppes were a steady market ahead of tomorrow's half-timer and closed unchanged at 177p. Rowntree Mackintosh eased 3 to 412p despite news of the successful rights issue. Ranks Hovis McDougall gave up 4 to 263p, but Hughes Food gained 2 to 24p in response to acquisition news.

Grand Metropolitan, a firm market in recent days, succumbed to light profit-taking and closed 7 off at 401p.

Brammer disappoint

Brammer, reflecting disappointing interim figures, fell away to 273p before picking up to close 10 down on the day at 283p. Elsewhere in the miscellaneous industrial sector, Ropner dipped 7 to 123p and the A shares 6 to 115p on the fall in the half-year profits. Trading statements, however, enlivened buying interest in Norank Systems, 6 to the good at 147p, after 150p, and Stat-Plus, 5 higher at 313p. Renewed buying ahead of tomorrow's half-year statement left Portals 12 to the good at 537p, while Pearson, scheduled to reveal interim figures next Tuesday, put on 8 to 531p. Westwood Dawes, reflecting the Canadian expansion plans, rose 5 to 72p, while Peerless firmed 4 to 142p following the full report. Rockware improved 5 to 47p and Redfearn National Glass hardened 5 to 298p, but profit-taking clipped 9 from British Aerospace at 510p. Leading issues made a bright start, but drifted back to close with small gains on the day.

Motor Distributors continued to make progress, reflecting increasing takeover speculation. As on Monday, proceedings were dominated by Lookers which advanced 15 for a two-day gain of 31 to 200p. Appleyard improved 4 to 152p in sympathy. Substantially higher interim profits lifted Evans Halshaw 7 to 131p and Western Motor 10 to 188p. Activity in Components was reduced from the previous session's levels, but noteworthy gains were again recorded by Dowty, 3 up at 229p, and AE, 4 dearer et 237p, the latter following further purchases by hostile bidder Turner and Newall. Abbey Panels were marked 25 higher to 280p, albeit in e restricted market, in response to the increased interim profits and dividend.

Advertising and associated counters again met buyers for choice. WCRS, still reflecting the acquisition of Della Femina, attained a new peak of 530p before settling a net 15 higher at 525p. Saatchi and Saatchi hardened 8 to 740p. The more-than-trebled first-half profits lifted USM-quoted Clarke Hooper 5 to 173p. Barham Group, however, encountered occasional profit-taking after the recent speculative rise and closed 4 cheaper at 166p; the company denied market chatter that it was set to bid for AGB Research, finally 5 up at 162p. Paper/Printings, on the other hand, generally gave modest ground. BPCC eased 3 to 275p, while scattered offerings in an extremely narrow market left Eucalyptus Pulp 15 off at 505p. Goodhead Print provided an exception, rising 6 more to 126p on further consideration of the annual results and proposed rights issue in Convertible Preference shares. Ireland's Jefferson Smurfit rallied 12 to 238p.

Leading Properties failed to build on Monday's good performance and drifted back in the absence of further interest. Land Securities softened a couple of pence to 331p, as did MEPC, at 338p. Elsewhere, Marlborough gave up a penny to 39p pending the outcome of the bid approach, but Regalian found support at 330p, up 15. Occasional profit-taking left recent favourites Parkdale a penny cheaper at 90p and Edmond Holdings ½ off at 23½p. Lewden and Edinburgh, interim results due early next month, firmed 5 to 660p, while USM-quoted Shield Group moved up 10 to 195p.

Textiles went higher under the lead of Courtaulds which advanced 7 to 278p, after 281p, a rise partly attributable to traded option turnover. Dawson International rallied a couple of pence more to 345p, while Tootal were wanted at 101p, also up 2. Consideration of the potential benefits accruing from the Speedo acquisition prompted further support for John Crowther, 4 higher at 180p; the interim figures are scheduled for September 16.

In Financials, Exco International traded between extremes of 237p and 232p before settling a net penny up at 234p following the mid-term statement.

Oils mixed

The oil majors opened on a quietly firm note and eased back on minor selling before rallying to close around their overnight levels. Support after-hours reflected an upturn in crude oil spot markets. BP began the session at 655p and gradually drifted back to 648p prior to closing a net 2 firmer at 656p, while Shell, down to 928p in mid-morning, settled unchanged on balance at 938p. Britoil were finally a few pence off at 130p and LASMO dipped 5 to 125p but takeover speculation persisted in IC Gas which touched a 1986 high of 488p before ending e net 10 up at 486p.

Secondary oils provided a handful of firm features—Pict Petroleum attracted good interest and moved up 3 more to 39p—but Triton Europe encountered sustained profit-taking which lowered the shares 10 to 135p.

Plantations featured Titaghur Jute which spurted 18 to 86p following the disclosure that Gauri Shanker now controls over 5 per cent of the equity.

The strong run by platinum and gold prices continued during the morning but ran out of steam later in the day when American profit-taking became apparent. Platinum touched $653 in the morning before reacting sharply to $638 in the afternoon while gold advanced to $396 et one point prior to closing a net $1.25 higher at $396.

Gold and platinum shares were buoyed during early trading by the strength of metal prices which prompted a fresh flurry of buying interest from Johannesburg and the Continent. However, the downturn in platinum, and to a lesser extent gold, triggered persistent small profit-taking in the sharemarket, and most issues turned easier by the close of business.

Although below their best levels Golds still retained good gains on the day. The Gold Mines index registered a further 6.0 improvement to 268.0—a three-day rise of 22.8 and its highest level since April 23 this year.

Interest in UK-domiciled Financials was largely centred on Rio Tinto-Zinc which briefly touched 627p at the outset, before turning down sharply and closing a net 16 off at 607p following the decline in UK equities and interim results from down-under associate CRA. The latter were steady at 252p. Consolidated Gold Fields attracted profit-taking and fell 6 to 517p.

The latest advance by Sydney and Melbourne markets—despite rising domestic interest rates—and recent strong gains in precious metals helped Australians record further gains. Golds provided numerous firm features and Sons of Gwalia advanced 9 to 252p while GMK added 10 at 470p and Placer Pacific 5 at 85p.

Elsewhere, gold explorers Greenwich Resources edged up 3 more to a year's best of 108p in belated response to Press comment. Robertson Research has further reduced its stake in the company to 5.9 per cent.

Traded Options

Quieter conditions prevailed in Traded Options with total contracts struck amounting to 17,065. ICI was lively, however, and recorded 1,022 calls. British Telecom attracted interest ahead of next Wednesday's first-quarter figures with 977 calls and 717 puts transacted. Courtaulds and Hanson Trust recorded 804 and 912 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Sept 2	Sept 1	Aug 29	Aug 28	Aug 27	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.60	89.72	89.64	89.62	89.66	83.39	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.12	95.17	95.62	95.62	95.67	88.39	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,320.0	1,322.7	1,311.9	1,286.4	1,280.5	1007.8	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	268.0	262.0	249.4	245.1	244.9	292.2	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.38	4.17	4.21	4.29	4.30	4.67				
Earnings Yld. % (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net) (*)	12.77	12.73	12.62	11.88	11.72	10.79				
Total Bargains (Est.)	21,683	24,886	21,416	20,685	19,520	23,682				
Equity Turnover £m.	—	551.86	878.48	712.67	494.02	392.73				
Equity Bargains	—	23,863	27,362	24,342	21,252	22,281				
Shares Traded (ml).	—	267.7	354.1	297.5	217.9	194.7				

♥ Opening — | 10 a.m. 1325.8 | 11 a.m. 1319.8 | Noon 1317.2 | 1 p.m. 1317.4 | 2 p.m. 1318.3 | 3 p.m. 1319.1 | 4 p.m. 1319.0

Day's High 1328.1. Day's Low 1316.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.24.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

S.E. ACTIVITY

Indices	Sep.1	Aug.29
Gilt Edged Bargains	88.89	99.2
Equity Bargains	154.6	177.3
Equity Value	1115.4	1775.6
5-Day Average		
Gilt Edged Bargains	112.1	111.0
Equity Bargains	149.5	139.7
Equity Value	1229.5	1188.7

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Tues Sept 2 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Sept 1 Index No.	Fri Aug 29 Index No.	Thur Aug 28 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (182)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues Sept 2	Day's change %	Mon Sept 1	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Tues Sept 2	Mon Sept 1	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflat'n rate 5%	5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10%	5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

♦ Opening index [illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (91)

BUILDINGS (3) AB & EA, Higgs & Hill, Polypipe; CHEMICALS (3) Allied Colloids, ICI, Wardle Storeys; STORES (5) Body Shop Intnl., Fremans, GUS, Ratners, Tibbet & Britten; ELECTRICALS (2) Borland Intl. Inc., FKI Electricals; ENGINEERING (2) Eadie, ML Holdings; FOODS (3) Lees (John J.), Morrison (W.), Wassen; INDUSTRIALS (11) Coated Electrodes, Flogas, Hollis, London Intnl., London and Midland, Do. Old., Mathesons 7½pc, Norank Systems, PSM Intnl., Thomson T-Line, Westwood Dawes; LEISURE (1) Brent Walker; MOTORS (5) Abbey Panels, Kwik-Fit, Evans Halshaw, Laidlaw Group, Lookers; NEWSPAPERS (1) Mustorlin; PAPER (3) Clarke Hooper, Oodhead Print, Wight Collins RS; PROPERTY (4) Dwyer, Regalian Props, Shield, Trencherwood; TEXTILES (3) Burmatex, Crowther (J.), Leeds Group; TRUSTS (37); OILS (4) Bridge Oil, Imp. Cont. Gas, Do. 8pc Cv. Uns. '95-2000, Royal Dutch; MINES (4) Brunswick, Minoll Secs, Impala Platinum, Greenwich Res.

NEW LOWS (11)

BRITISH FUNDS (1) Exch. 14pc 1986; STORES (1) Ces/Rosen; ELECTRICALS (1) Imtec; FOODS (2) Oatleys, Cullen's; INDUSTRIALS (4) Brammer, Grovebell, Ropner, Do A; PAPER (2) CPM, Monotype Corp.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk	10	● Robert Fleming & Co	10
Amro Bank	10	Robert Fraser & Ptrs	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDL C	Fl.180	182	6	54	11.50	—	—	Fl.180
NEDL P	Fl.180	29	5.50	2	8	—	—	"
NATN C	Fl.90	24	1.10	28	3.90	1	5.80	Fl.85.30
NATN P	Fl.80	45	1	43	2.90	—	—	"
PHIL C	Fl.55	408	2.40	278	4.30A	22	5.90	Fl.55.90
PHIL P	Fl.50	642	0.40	262	1B	35	1.70	"
RD C	Fl.190	894	18.50	154	19.50	—	—	Fl.208.30
RD P	Fl.200	237	2.80	360	5	17	6.40	"
UNIL C	Fl.520	86	10.70B	25	22.90	7	34.50	Fl.516.50
UNIL P	Fl.500	45	5	25	11.10	—	—	"

TOTAL VOLUME IN CONTRACTS: 37,262

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29

For rate indications see end of Unit Trust Service

Call options were taken out in Amstrad, Abaco Investments, Audio Fidelity, Raine Industries, Raglan Property Trust, Aurora, Parkdale, Bread Street, Cooroy Petroleum, Charterhall, S & U Stores, STC, Thomson T-Line, Boots, Westland Warrants, European Ferries, BSG International, BSR International, Consolidated Murchison, Miss World, Fobel International, Caledonian Offshore, Banro and Shield. No puts or doubles were reported.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
APV	586	+23	Coats Viyella	496	+ 4
Barclays	517	− 5	Exco Intl.	234	+ 1
Bass	768	+18	GEC	184	− 2
Boots	222	+ 1	Lloyds Bank	465	− 7
Brammer	283	−10	Lon. & Manchester	212	+15
Brit. Aerospace	510	− 9	Stainless Metalcraft	192	—

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of change	Mon. close	Day's change	Stock	No. of change	Mon. close	Day's change
Cons. Gld Flds.	19	523	+23	Royal Bk. Scot.	18	358	+16
ICI	19	£10⅞	+ 0⅛	BP	15	653	+ 5
NatWest Bank	19	572	+12	Prudential	15	903	+13
Br. Aerospace	18	519	+16	Allied-Lyons	14	355	+10
Glaxo	16	996	+ 5	Lloyds Bank	14	472	+ 4
Jaguar	16	522	+15	Midland Bank	14	577	+ 7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	60	39
Corpns. Dons. and Foreign Bonds	2	9	67
Industrials	365	252	903
Financial and Props.	153	65	380
Plantations	4	0	10
Mines	85	15	85
Others	14	5	179
Totals	657	432	1,702

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*572)	500	90	107	137	4	7	11
	550	50	67	82	15	18	25
	600	22	30	45	37	42	47
P. & O. (*516)	460	60	75	—	5	10	—
	500	32	47	60	15	20	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

September 2. Total contracts 17,065. Calls 11,647. Puts 5,418.
*Underlying security price.

WORLD STOCK MARKETS

FRANCE (continued)

Sept. 2	Price Frs.	+ or —
Club Mediter'n	640	—10
Cie Bancaire	1,579	—4
Coflmeg	409.5	+0.5
Damart	2,320	+19
Darty	5,940	+135
Dumez S.A.	1,575	......
Eaux (Cie Gen)	1,321	+19
Elf Aquitane	338	—8
Essilor	3,160	+30
Gen.Occidentale	1,065	......
Imetal	84.1	—2.4
Lafarge Coppee	1,435	—30
L'Oreal	3,720	+85
Legrand	4,490	+20
Maisons Phoenix	190	—5.5
Matra S.A.	2,610	—81
Michelin B	3,480	—50
Midi (Cie)	1,780	—15
Moet-Hennessy	2,352	+22
Moulinex	76.5	—0.8
Nord Est	210	—0.5
Pernod Ricard	1,083	—12
Perrier	780	—15
Petroles Fra	461	—22
Peugeot S.A.	1,180	—35
Printemps (Au.)	650	......
Radio tech	1,026	+46
Redoute	2,040	—20
Roussel-Uclaf	1,682	—63
Sefimeg	469	+1
Skis Rossignol	1,500	—52
Telemec Elect	3,300	......
Thomson (CSF)	1,682	—20
Valeo	545	—15

NETHERLANDS (continued)

September 2	Price Fls	+ or —
ABN	584.5	+1.5
AMEV	76.5	+1.3
AMRO	107.5	+1.0
Bredero Cert	226	—2
Bos Kalis Westm.	13.6	—0.2
Buehrmann Tet.	222.5	+1.3
Calland Higs	12.6	......
Dordtsche Pet'm	196.2	+5.6
Elsevier-HOU	228.5	+0.5
Fokker	76.5	+1.7
Gist Brocades	52.0	+1.4
Heineken	186.5	+6.5
Hoogovens	73.2	+0.2
Huntr Doug NM	65	+0.6
Int. Mueller	80.5	+2.8
KLM	44.6	+0.1
KNP	151	+6
Naarden	69.3	—0.6
Nat Ned Cert	85.3	+0.2
Ned Mid Bank	338.5	+9.5
Nedlloyd	180	+4.0
Oce Grinten	550	+7
Ommeren (Van)	37.2	+1.0
Pakhoed	65.7	+2.7
Philips	55.9	+0.8
Robeco	95.7	+0.3
Rodamco	156.6	+0.4
Rolinco	86.1	+0.2
Rorento	60.3	—0.2
Royal Dutch	208.3	+0.9
Unilever	515.5	+4.0
VMF Stork	301	+11
VNU	340.5	+5.0
Wessanen	82	+2.3
Wes Utr Bank	80	......

SWITZERLAND (continued)

Sept. 2	Price Frs.	+ or —
Swissair	1,445	+25
Swiss Bank	375	+8
Swiss Reinsce	17,800	+100
Swiss Volksbk	2,640	+10
Union Bank	5,880	+50
Winterthur Ins	7,000	+75
Zurich Ins.	7,775	+75

AUSTRALIA

Sept. 2	Price Aust $	+ or —
ACI Intl	3.56	......
Adelaide Steams	18.1	—0.1
Amcor	8.55	......
ANZ Group	5.24	+0.2
Ampol Pet.	2.15	......
Ashton	1.67	+0.51
Aust. Guarantee	5.0	+0.05
Aust. Nat. Inds	2.5	......
Bell Group	10.5	+0.1
Bell Res.	4.85	—0.05
Bond Corp Hldgs	3.3	+0.05
Boral	4.46	+0.25
Bougainville	2.74	—0.01
Brambles Inds.	6.2	+0.2
Bridge Oil	0.80	......
BHP	7.56	—0.04
Burns Philp	6.7	—0.1
CRA	6.2	+0.14
CSR	2.88	+0.06
Chase Corp	5.8	+0.06
Claremont Pet	0.8	—0.02
Coles Myer	4.58	......
Comalco "A"	2.5	+0.05
Consolidated Pet	0.17	+0.01
Costain Aust	2.4	......
Elders IXL	4.84	—0.06
Energ Res.	1.52	+0.02

JAPAN (continued)

Sept. 2	Price Yen	+ or —
Dai Nippon Ptg	1,660	—20
Daiwa House	1,690	—10
Daiwa Sec.	2,370	—30
Eisai	1,760	+60
Fanuc	5,280	—70
Fuji Bank	1,720	—10
Fuji Film	2,590	—10
Fujisawa	1,350	—40
Fujitsu	927	—18
F'rukawa Elect.	574	+1
Green Cross	9,310	—10
Heiwa Real Est.	1,280	—30
Hitachi	935	—40
Hitachi Credit	2,130	—40
Honda	1,160	—20
Ind. Bk. Japan	2,820	+20
IshikawajimaHr.	409	—8
Isuzu Motor	350	—3
Itoh (C)	880	—25
Ito Yokado	4,160	+80
Jal	9,980	—20
Jusco	1,610	—20
Kajima	1,330	—40
Kao Corp	1,630	......
Kawasaki Steel	244	—16
Kirin	1,590	—20
Kobe Steel	206	—3
Komatsu	496	—14
Konishiroku	662	—26
Kubota	440	+9
Kumagai	915	+5
Kyocera	3,700	—180
Marubeni	546	—5
Marui	2,710	+10
Mazda Motors	390	—1
Meiji Seika	880	—2
MIE	1,460	—60
M'bishi Bank	1,700	—30
M'bishi Chem.	820	+6
M'bishi Corp	1,330	—10
M'bishi Elect.	468	17
M'bishi Estate	2,490	—50

SINGAPORE (continued)

Sept. 2	Price $	+ or —
OCBC	8.15	—0.05
OUB	3.10	+0.02
Public Bank	1.10	—0.01
Sime Darby	1.59	+0.02
Singapore Air	7.70	—0.15
Singapore Press	8.25	—0.05
Straits Trdg	3.60	+0.02
Tat Lee Bk.	2.87	—0.02
UOB	4.30	......

SOUTH AFRICA

Sept. 2	Price Rand	+ or —
Abercom	2.70	+0.05
AE&CI	13.00	+0.25
Allied Tech	86	......
Anglo Am. Coal	34.25	......
Anglo Am. Corp.	66.85	+1.60
Anglo Am. Gold	330	+5
Barclays Bank	81	—0.25
Barlow Rand	19.65	+0.50
Buffels	118	+2
CNA Gallo	2.45	......
Currie Finance	4.1	+0.1
De Beers	35.75	+0.75
Dreifontein	70.5	+1
F. S. Cons	35.25	......
Gold Fields S.A.	58	+2
Highveld Steel	6.8	......
Malbor	12	+0.9
Nedbank	5.4	+0.13
OK Bazaars	15.6	......
Rembrandt	77.75	......
Rust Plat.	56	+0.2
Safren	14.75	+0.25
Sage Hldgs	10.00	+0.2
SA Brews	14.1	+0.5
Smith (CG)	27.5	+0.25
Tongaat Hulettn.	7.60	......

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices September 2

MONTREAL

Closing prices September 2

Indices

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 37

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
APV	585	+23
Bass	768	+18
Bowthorpe	550	+15
Courtaulds	279	+7
Delta	194	+8
Evans Halshaw	131	+7
Hall Eng	186	+12
Imp Cont Gas	486	+10
Lookers	200	+15
Norank Syst	147	+6
Pearson	531	+8
Portals	337	+12
Sons of Gwalia	252	+9
Titaghur Jute	68	+18
Unigate	303	+5
United Scient	160	+10
Wickes	183	+7
Willis Faber	422	+10

FALLS		
Brammer	283	—10
Brit Telecom	198	—8
Lloyds Bank	465	—7
Matthews (B)	270	—12
RTZ	607	—18
Ropner	123	—7
Triton Europe	135	—10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	1.8	19	368	24⅜	23⅝	23⅞	+⅜
30	21¾	ADT	.92	3.9		201	24	23¾	23¾	-¼
33	11½	AFG s	.08t	.3	16	124	31⅞	30⅛	20⅛	⅞
25⅜	13¾	AGS			13	94	18⅝	18¼	18⅜	⅜
15	9⅞	AMCA			250	25	10	9⅞	10	+⅛
60⅝	37½	AMR			14	2278	56½	54⅞	54⅞	-1¼
27½	23¼	ANR pf2.67		10.		4	26¼	25¾	26	+½
12½	6½	APL			6	15	11	10⅞	10⅞	⅛
16¾	10	ARX	.711	6.3	11	82	11⅜	11¼	11¼	
40⅞	28¾	ASA	2a	5.5		1480	36¾	35¼	36⅜	+1⅝
15⅜	9¾	AVX		2.8		431	12	11⅝	11⅝	+⅛
28	22⅝	AZP	2.72	8.6	8	1982	31⅞	31½	31½	-⅝
55	26⅜	AbtLb s .84		1.7	22	3186	49⅞	48¼	48⅝	-1
32	19⅝	AccoWd.56		1.9	19	25	28⅞	28¾	28⅞	+¼
14⅛	9	AcmeC .40		3.7		156	11	10⅞	10⅞	
9¼	7	AcmeE.32b		4.5	15	46	7¼	7	7⅛	
22¼	17	AdaEx 1.90e		8.8		131	u22⅞	22	22	-⅛
33⅝	16	AdmMl .40		1.4	13	52	30	29⅝	29⅝	+⅛
20⅝	11⅞	AdvSys.83t		5.4	14	41	16	15¼	15¼	-⅝
32⅞	14½	AMD				3584	19⅜	18¾	18⅞	½
12⅝	6⅝	Adobe n				47	7⅛	7	7	
18⅜	13¾	Adob pf1.84		12.		41	15⅛	15	15	
18⅜	7¾	Advest .12a		.8	11	354	14⅝	14⅛	14½	+¼
66¼	42¼	AetnLf 2.64		4.2	10	4160	64¼	62⅝	62⅝	-1⅝
57	21½	AetL pf4.69e		8.8		601	53⅝	53	53	+7
28¾	6¾	Ahmnes .40		1.9	8	3268	25⅛	23⅝	24	-1
5¾	2½	Aileen			80	50	4	3¾	4	+⅛
41⅜	25¾	AirPrd s .80		2.2	50	1574	33⅝	32⅝	32½	-⅝
27¾	16	AirbFrt .60		3.1	17	102	19½	19⅛	19¼	¼
2	⅜	AlMoar4.60c				79	2-16	7-16	7-16	
29	25⅝	AlaP pf2.12e		8.1		10	26¼	26¼	26¼	
16¾	7⅝	AlaP dpf.87		8.7		20	10½	10	10	
104⅝	75¼	AlaP pf 0		0.0		z250	101	100⅝	100⅝	-⅜
109½	60	AlaP pf 11		10		z119	156	160	106	+1
93	68¾	AlaP pf 8.28		9.1		z210	91¼	91¼	61¼	-1¼
22¾	14¼	AlskAir .16		.9	19	641	17½	17¼	17½	+¼
25	9⅜	Albrto s .21		1.2	17	253	18	17⅛	17⅛	-1⅛
23¼	15¾	AlbCulv.21		1.3	17	101	17	16¾	16¾	-¼
49½	27	Albtsns .84		1.8	17	636	48½	47	47¼	-⅛
34⅝	22¾	Alcan .80		2.8		2392	31¼	30½	30¾	+¼
46¾	32	AlcoStd.24		2.9	19	118	43	42⅝	42⅝	-⅝
40⅞	26¾	AlexAlx 1		2.4		2468	u41½	46	41⅜	+1½
47½	23½	Alexdr			27	55	38⅜	37¾	37¾	-⅝
124	76⅝	AllgCp 1.54t		1.4	15	124	u158⅛	103	160	+5¼
26¾	11⅝	AlgInt .35t		2.0		197	17⅝	17⅜	17⅜	
19¾	9½	Algin pf2.16		19.		7	11⅛	11¾	11¾	
85½	39	Algl pfC11.25		16.		12	59½	59⅛	68⅛	-⅜
53⅞	20⅞	AllgPw2.80		5.5	13	3305	21⅛	50⅞	50⅛	-⅛
27¼	16½	AllenG s .56		2.8	16	94	20⅜	20⅛	28½	-⅜
28⅞	23½	Allen pf1.75		7.0		24	25	24⅞	25	+⅛
45½	16½	AlldPd			26	175	41¾	41⅛	41⅜	+½
49½	36¾	AldSgnl1.80b		4.4		2838	42	40⅜	40⅛	-¼
114¾	101½	AldS pfD 12		12.		2	102½	102½	102½	+½
53½	25⅛	AldStr s1.10		2.4	15	1022	50½	46¼	46½	-2
18⅞	4⅞	AlldSup				231	7⅜	7¼	7½	
6¾	2⅞	AllisCh				195	3¼	3⅛	6⅛	-⅛
40¾	26¾	AlisC pf				2	27¼	27¼	27¼	-⅜
44	29½	ALLTL 1.96		4.5	13	284	44	43⅝	44	+⅝
46⅝	31½	Alcoa 1.20		3.2		2584	36⅛	37	37¾	+¾
18⅝	10½	Amax				2907	16	14¼	14½	+⅛
20	27½	Amax pf 3		8.6		5	20	35	03	+¾
32¼	16½	AmHes .27j				2936	21	28	20⅛	-½
1⅞	⅝	AmAgr				342	13-16	¾	¾	
31¼	20⅝	ABakr			15	211	u32	31	32	+1¼
105	53¾	ABrand4.05		4.5	12	1761	93¼	90¼	90½	-2⅜

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NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35¼	20⅛	NEngE	s1.92	5.5	12	422	35⅛	34⅞	34⅝	−⅜
33⅝	25	NJRsc	2.32	7.0	16	106	u33⅞	33¼	33¼	−¼
14½	10	NPInR	s .76	5.6	19	377	13⅞	13¾	13⅞	+⅛
37⅞	23¾	NYSEG	2.64	7.0	10	942	u38½	01½	37⅝	−⅛
44	31	NYS	pf 3.75	6.0		z290	41¾	41¾	41¾	−¼
94½	72	NYS	pf 8.80	9.5		z370	94	92½	92½	+¼
26	17¼	NYS	pf 2.12	8.4		0	25½	25	25¼	+¼
32½	29⅛	NYS	pfD3.75	13.		10	29⅞	28½	28¾	+⅜
36¾	16½	Newell	.70	2.6	13	271	27¼	26½	26⅝	
43¾	25⅛	Nwhall	s .48	1.3	18	18	37½	37	37⅛	−⅜
20¼	15½	Newh	R9.40e	70.	3	x91	13½	d13½	13½	
10	6⅝	Nwhl	Rs78e	9.8	6	39	8	7⅞	8	+½
13⅞	8⅝	NwmtGn				1632	u14¾	13¼	14⅝	+1¼
64⅞	41	NwmtM	1	1.8	111	2127	u56⅞	53¾	56⅝	+1⅝
1⅝	11-32	Nwpark				254	⅜	½	⅛	+1-16
32⅞	22¾	NewsLb				190	30½	29⅞	30½	+1
25½	11½	NiaMP	2.08	8.8	9	4154	24⅛	23½	23¾	−¼
39	30¼	NiaMpf	3.60	9.4		z430	38⅞	38⅛	38½	+⅜
42½	31	NiaMpf	3.90	9.3		z100	42	42	42	−½
56⅛	39¾	NiaMpf	4.85	9.4		z19	51½	51½	51½	
61	43¼	NiaMpf	5.25	9.2		z160	57	57	57	−1
72	50	NiaMpf	6.10	8.9		z1800	68½	67	68½	−1⅝
17	14½	NiagSh	1.61e	6.9		252	10½	18¼	19¼	
18⅞	12	Nicolet	.12	.7	9	181	17⅛	16⅞	17	+⅛
31½	19	NICOR	1.26	6.1	590	340	30	23½	29½	−⅜

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅝	11½	UWR	s .88	4.2	22	138	21⅛	20¾	21⅛	+¼
27⅞	14	Unitrde	.20	1.2	35	70	16⅝	16¼	16¼	−⅜
15½	6⅝	Univar	.20	2.0	6	46	10¼	6⅞	10¼	+⅛
24¼	15½	UnvFd	s		16	268	u24½	23⅞	24½	+½
31	19½	UnLeaf	1.08	3.7	11	907	29½	29	29	−¼
20⅛	13¾	UMich	n			219	19¾	19½	19½	−⅛
31⅝	15⅝	Unocal	1	4.6	19	3027	22⅛	21⅝	21¾	
103¾	50⅝	Upjohns	1.52	1.8	23	1286	86¾	85	85	−1½
49½	32⅞	USLIFE	1.12	2.4	11	578	46¾	46	46⅛	−⅞
36¾	32½	USLF	pf3.33	9.1		3	36½	36	36½	+½
12¾	10	UsliteF	1.08a	8.7		21	12⅝	12¾	12⅝	−⅛
37¼	22¾	UtaPL	2.32	6.8	15	1656	34¾	33⅞	34⅛	−½
31⅝	26⅞	UtPL	pf2.80	9.1		15	31	30⅝	30¾	−⅛
32¼	25⅞	UtPL	pf2.80	9.4		38	31	30⅞	31	+⅛
27⅞	20¾	UtPL	pf2.36	8.7		38	27¼	27¼	27¼	+¼
26⅝	18½	UtPL	pf2.04	8.1		34	25¼	25	25⅛	
34¾	21	UtilCo	1.48b	4.5	11	359	33½	32⅞	32⅞	−⅜
27	21¼	UtilCo	pf2.44	9.1		2	26¾	26¾	26¾	+⅛
29⅝	22¾	UtilCo	pr2.61	8.9		2	29¼	29¼	29¼	+¼
37⅝	33	UtilCo	pf4.13	12.		2	35	35	35	−¼

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26	19⅛	VF Cp	s .64	1.9	15	x1026	34¾	33¾	34⅛	−⅜
14¼	6⅝	Valero				337	6⅛	17⅞	6	+⅛
25⅝	16⅞	Valer	pf3.44	15.		19	22⅝	22¼	22⅝	−⅛
3⅛	1⅝	Valeyin			38	46	1⅝	1½	1½	⅛
37⅛	22½	VanDrn	1.10	0.5	10	83	31⅞	31¼	31⅜	−¼
5¾	2⅛	Varco				140	0	2⅝	2⅝	−⅝
15½	10	Varco	pf			5	10	10	10	−⅛
31¼	22½	Varian	.28	1.9	76	282	27⅜	26¾	26⅞	⅛
3½	1⅜	Varity				1779	2¼	2⅛	2⅛	−⅛
17¾	11	Varo	.40	3.0	39	426	13⅞	13½	13½	−⅛
19¾	13	Veeco	.40	2.1	26	107	14⅝	14½	14⅝	

Continued on Page 35

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Gold surge depresses blue chips

A SUDDEN wave of concern over inflation sparked a heavy sell-off on Wall Street yesterday afternoon, *writes Terry Byland in New York.*

The first move came from Treasury bond futures, which fell by the permissable daily limit, sparking similar losses of 1½ points in Treasury bonds, and then a heavy setback in leading stocks.

The stock market, which had been showing little definite trend, quickly plunged by more than 30 Dow points as selling programmes were triggered.

Traders pointed out that the stock market had been sbowing signs of becoming overbought last week, in the run-up to the Labor Day holiday. Wall Street was surprised yesterday by a favourable economic report by US purchasing executives and also by a stronger-than-expected 2.2 per centgain in factory orders for last month. These reports revived inflation worries, which were fuelled by a surge in gold bullion above the $400 an ounce barrier.

The Dow Jones industrial average, barely changed at mid-session, ended the session a net 27.98 points down at 1,870.36

Helped by the purchasing agents report, stocks opened firmly but lost their gains at mid-morning when stock index futures dipped, triggering sell programmes in blue-chips.

The US purcbasing officers' group disclosed that its composite index showed a postive reading of 52.6 per cent in August – indicating an expanding economy – and that new orders showed a "dramatic turnround."

IBM steadied from an early selling bout to show a net fall of $3 to $135¾ as the board announced a batcb of new products. Digital Equipment put on $1½ to $102½ but the mainframe sector was mostly easier. Burroughs at $71⅞ gave up $1⅝, Honeywell shed $1¾ to $69½.

But the soft spot was the personal computer sector, where Apple fell $2¼ to $34¾ after a Goldman Sachs analyst cut earnings estimates on the grounds that the group is concentrating on revenue growth and new products.

General Motors eased $1⅛ to $70⅞ on thin selling after Standard & Poor's, the debt rating agency placed some debt securities of the motor group and of General Motors Credit Corp, its financing subsidary, on its creditwatch list. However, GM bas been under pressure in the stock market for some time.

Chrysler, alone among the Detroit stocks, managed a small gain, adding $¼ to $39 in miniscule trading.

Airlines had another nervous session as World Airlines, down $1⅛ at $3¼, rejected bearish comments in the press, saying it was "significantly stronger" than in the recent past. People Express edged np $¼ to $4⅜, with the final collapse of Frontier Airlines offering the chance to stem losses at People.

The major domestic carrier stocks softened behind criticisms of the increasing domination of the industry by the big names. Eastern held unchanged at $8⅝ after announcing cost reductions. At $56⅝, United ahed $⅛, American dipped $¼ to $55⅞ and Delta at $42½ was $¼ off.

On the takeover front, it was the turn of the banking industry to attract attention. Third National, the Nashville-based group, jumped $1½ to $38 after Suntrust proposed a merger which will unite $24bn of assets.

Other banks firmed, hoping that money market rates will continue to ease, thus helping banks' earnings prospects. Bankers Trust edged up $½ to $51⅜, Chase Manhattan $¼ to $42 and BankAmerica $¼ to $12⅜.

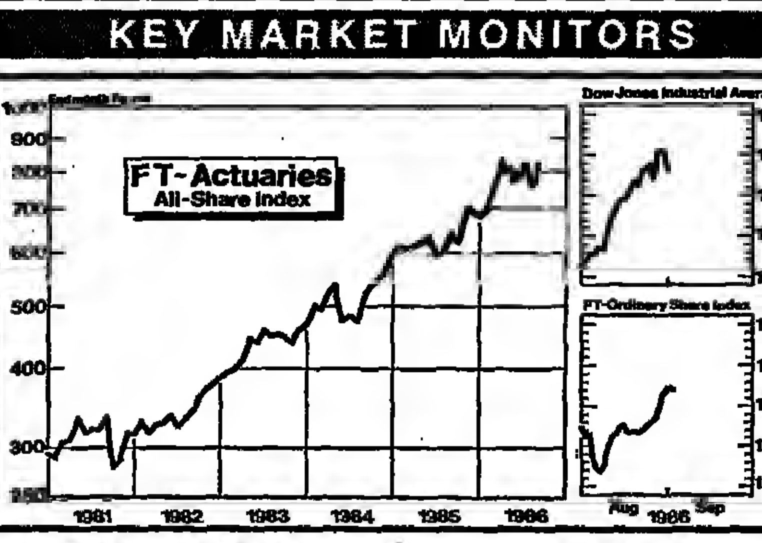
But uncertainty over the dollar left pbarmaceuticals looking weak. Merck, the Dow average constituent, dipped $1⅛ to $113⅞, while Pfizer eased $⅝ to $67⅞.

Chemical issues showed irregular changes. Du Pont, a firm spot in recent sessions, fell $1⅛ to $81⅛ in brisk turnover. Monsanto, bowever, fell $1⅛ to $70. At $22½, Union Carbide eased $⅛ with both buyers and sellers active.

Retail issues turned irregular after making good progress during the past two weeks. J.C. Penney gave back $⅞ of its gain to stand at $77½. But Sears, whicb benefits from bopes of lower interest rates because of its large financial services division, edged up ¼ to $46.

In the credit market, bond prices slipped lower as the purchasing agents' report undermined bopes of an easing in Federal Reserve policy. The sbort end of the market was slack, with federal funds at 7⅛ per cent and the Fed helping liquidity with $1bn in customer repurchase arrangements.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Sept 2	Previous	Year ago
DJ Industrials	1,870.36	closed	1,323.19
DJ Transport	799.68	closed	690.66
DJ Utilities	215.42	closed	159.67
S&P Composite	248.52	closed	187.91
LONDON			
FT Ord	1,320.0	1,322.7	1 007.8
FT-SE 100	1,667.8	1,672.8	1,335.50
FT-A All-share	821.94	822.97	645.33
FT-A 500	901.92	903.19	706.57
FT Gold mines	268.0	262.0	291.2
FT-A Long gilt	9.45	9.42	10.33
TOKYO			
Nikkei	18,694.93	18,820.75	12,726.6
Tokyo SE	1,531.06	1,543.08	1,018.29
AUSTRALIA			
All Ord.	1,211.4	1,200.0	937.1
Metals & Mins.	557.1	549.9	526.8
AUSTRIA			
Credit Aktien	240.15	239.17	198.57
BELGIUM			
Belgian SE	3,877.21	3,852.58	2,389.63
CANADA			
Toronto			
Metals & Mins	2,084.5	closed	2,115
Composite	3,040.0	closed	2,806.0
Montreal			
Portfolio	1,512.67	closed	138.45
DENMARK			
SE	n/a	199.88	215.85
FRANCE			
CAC Gen	410.90	412.50	223.0
Ind. Tendance	157.50	158.0	82.01
WEST GERMANY			
FAZ-Aktien	707.96	702.65	438.10
Commerzbank	2,138.80	2,121.7	1,465.0
HONG KONG			
Hang Seng	1,930.61	1,903.02	1,516.17
ITALY			
Banca Comm.	818.88	823.24	373.83
NETHERLANDS			
ANP-CBS Gen	297.30	294.7	221.9
ANP-CBS Ind	298.60	295.7	193.3
NORWAY			
Oslo SE	376.91	365.95	358.05
SINGAPORE			
Straits Times	851.05	853.18	754.78
SOUTH AFRICA			
JSE Golds	–	1,727.00	987.2
JSE Industrials	–	1,300.00	945.3
SPAIN			
Madrid SE	203.74	199.03	81.89
SWEDEN			
J&P	2,438.79	2,392.98	1,368.10
SWITZERLAND			
Swiss Bank Ind	564.00	560.60	483.9
WORLD	Sep 1	Prev	Year ago
MS Capital Int'l	360.8	358.3	219.4

COMMODITIES

(London)	Sep 2	Prev
Silver (spot fixing)	349.75p	349.30p
Copper (cash)	£885.50	£878.75
Coffee (Sept)	£2,302.50	£2,332.50
Oil (Brent blend)	$14.80	$14.50

GOLD (per ounce)

	Sep 2	Prev
London	$393.00	$391.75
Zürich	$394.375	$391.75
Paris (fixing)	$392.90	$392.99
Luxembourg	$394.65	$388.25
New York (Dec)	$411.50	$393.30

CURRENCIES

(London)	US DOLLAR Sep 2	Previous	STERLING Sep 2	Previous
$	–	–	1.4865	1.4905
DM	2.0315	2.0240	3.025	3.0175
Yen	154.25	153.80	229.75	229.25
FFr	6.6600	6.6475	9.920	9.910
SFr	1.6390	1.6330	2.4425	2.4350
Guilder	2.2920	2.2820	3.415	3.40
Lira	1,401	1,396	2,086.75	2,081
BFr	42.05	42.00	62.65	62.60
C$	1.3865	1.3860	2.0640	2.0660

INTEREST RATES

	Sep 2	Prev
Euro-currencies (3-month offered rate)		
£	9 7/16	9 7/16
SFr	4¾	4¾
DM	4 7/16	4 7/16
FFr	7⅞	7⅞
FT London Interbank fixing (offered rate)		
3-month US$	5⅞	5⅞
6-month US$	5⅞	5⅞
US Fed Funds	5⅞*	closed
US 3-month CDs	5.25*	closed
US 3-month T-bills	5.16*	closed

US BONDS

Treasury	September 2 Price	Yield	Prev Price	Yield
6¾ 1988	100⅛	5.973	closed	closed
7¼ 1993	102 9/32	6.749	closed	closed
7¼ 1996	102 15/32	6.976	closed	closed
7¼ 2016	99 21/32	7.254	closed	closed

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Sep 2* Return index	Day's change	Yield	Day's change
1–30	158.36	–0.01	6.72	+0.02
1–10	150.25	+0.08	6.41	+0.02
1–3	140.24	+0.09	6.01	+0.02
3–5	152.68	+0.07	6.57	+0.02
15–30	187.50	–0.33	7.74	+0.03

Source: Merrill Lynch

Corporate	September 2* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	91.73	6.35	closed	
BCBT South Central 10¾ Jan 1993	106⅜	9.44	closed	
Phibro-Sal 8 April 1996	99.323	8.10	closed	
TRW 8⅞ March 1996	103.22	8.10	closed	
Arco 9⅞ March 2016	107⅝	9.136	closed	
General Motors 8⅝ April 2016	92⅝	8.82	closed	
Citicorp 9⅜ March 2016	100⅝	9.36	closed	

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	102-01	102-10	101-21	102-13
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.94	94.97	94.90	94.94
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	94.65
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	94.33	94.34	94.28	94.37
20-year Notional Gilt £50,000 32nds of 100%				
Sept	121-18	121-28	121-13	122-01

* Latest available figures

TOKYO

Institutions emerge as big sellers

HEAVY PROFIT-TAKING pressure developed in Tokyo yesterday forcing large capital stocks and blue-chip electricals sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average fell 125.82 from the previous day to 18,694.93. Volume decreased to 820m shares from Monday's 895m. Declines outnumbered advances by 518 to 318, with 134 issues unchanged.

Investor concern over high price levels has been dominating the market since the Nikkei indicator touched a new high at one stage on Monday.

The Tokyo Stock Exchange announced yesterday that the margin buying balance on the Tokyo, Osaka and Nagoya stock exchanges increased for the 20th consecutive week to top Y4,000bn for the first time.

Furthermore, institutional investors, who bad played a leading role in the market's big upswing starting in July, emerged as large sellers.

Teijin, a biotechnology issue, topped the active list with 53.34m shares traded, gaining Y40 to Y765.

Among active large capital stocks Nippon Yusen, the third busiest issue of the session with 33.9m traded, rose Y12 to Y587 while Nippon Steel, fifth most active with 28.34m shares changing hands, was Y8 down at Y237.

Rising crude oil prices dampened electric powers. Tokyo Electric Power lost Y60 to Y6,450 and Kansai Electric power Y80 to Y3,500. Tokyo Gas dropped Y27 to Y787.

Major constructions, which attracted strong buying interest the previous day, turned lower with Taisei Corp sbedding Y18 to Y880, Hazama-Gumi surged Y58 to Y570 and Hasegawa Komuten Y70 to Y1,400.

Fujitsu fell Y18 to Y927 on reports that the major communications equipment maker's recurring profit in the first half of the current business year is expected to plunge 88 per cent from a year before to Y4bn, depressed by the strong yen and prolonged semiconductor market slump.

The poor performance of these semiconductor-related electricals prompted blue chips to come under small-lot selling pressure. Hitachi lost Y40 to Y935 and Matsushita Electric Industrial Y80 to Y1,460.

Bond trading was lacklustre in the absence of fresh incentives. Investors retreated to the sidelines because of the US market closure on Monday. There was widespread speculation that West Germany's Bundesbank would not make a discount rate cut at its next policy meeting on September 11.

Only the dealing sections of securities bouses and banks entered the market to earn short-term capital gains. The yield on the benchmark 8.2 per cent government bond, maturing in July 1995, rose to 4.530 per cent from the previous day's 4.520 per cent.

SOUTH AFRICA

GOLD SHARES again led most of the Jobannesburg market higber as continued bullion price streogth and growing business confidence in the economy pushed the all-gold index to a record high for a third day and the industrial index to 1,327, 22 higher than its August 19 record.

While attention focused on gold shares and mining bouses, the industrial sector saw oil-from-coal producer Sasol advance 55 cents to R8 after net income rose 15 per cent to R575.4m in fiscal 1986.

EUROPE

Brussels stages late rally

A VARIETY of local factors influenced bourses throughout Europe yesterday as most centres shrugged off the effects of a lower dollar and seemed not to be affected by the return of US investors after the previous sessions' boliday on Wall Street.

Brussels staged a late rally after Prime Minister Wilfried Martins spoke optimistically about solutions for several long-running linguistic conflicts in some local communities.

Holding companies and electrical groups benefited most with Groupe Bruxelles Lambert rising BFr 75 to BFr 3,270 and Intercom BFr 80 to BFr 3,900.

Kredietbank, whicb is launching a rights issue soon and planning a one-for-four stock split, was unchanged at BFr 17,400.

Frankfurt began the session higher but faded as the day wore on to end mostly mixed. The Commerzbank index, measured at midsession, advanced 17.1 to 2,121.7.

Profit-taking weakened many blue chips, but Volkswagen managed again to post one of the market's largest gains following news it had set a price of DM 350 on its new preference shares. The car maker added DM 17 to DM 544 after attracting DM 14.20 on Monday.

The bond market lacked direction and prices ended mixed to easier.

The Bundesbank generously allocated DM 12.6bn in its latest securities repurchase pact, which suggests that interest rates are being steered lower despite the unchanged fixed rates.

Zurich shrugged off Monday's lethargy, boosted by the heavy investor interest in gold shares traded on the foreign share market.

Banks and financial holding groups were firmer. Bank Baer rose SFr 400 to SFr 19,200, while engineering group Schindler lost SFr 20 to SFr 590.

Bonds were mixed after trading in a narrow range.

Amsterdam edged higher with international issues profiting as the dollar grew more stable in afternoon trading.

Gist-Brocades, the biochemical group, firmed Fl 1.40 to Fl 52.90 ahead of an 11.3 per cent rise in first-half profits. VMF-Stork, also with higher earnings for the first six months, rose Fl 11 or 3 per cent to Fl 301.

Bond trading was quiet with most investors keeping to the sidelines.

Paris continued to consolidate after last week's record-breaking run and prices ended mixed to easier.

Nevertheless, Radiotechnique touched a year's high of FFr 1,025, up FFr 46. Bouygues, which raised its stake in Screg to 84 per cent, was unchanged at FFr 1,445.

Milan fell to profit-taking with chemical and engineering issues suffering most.

A late rally in Olivetti and Mediobanca shares belped the market above its lows for the day. The former ended L500 higher at L18,700, while the latter dropped L1,500 to L82,500.

Stockholm advanced in lacklustre trading, while prices soared in **Oslo** after one of the year's busiest trading sessions.

Norsk Data, riding on the wave of a 40 per cent increase in profits, rose NKr 24.50 to end at NKr 246.

Domestic confidence in the Spanish economy and foreign investor demand pushed the Madrid stock market index through 200 for the first time with a 4.71 surge to 203.74, ***writes David White in Madrid.***

A lively session saw strong gains by power, construction and food stocks backed by fresh advances by banks; Banco Bilbao rose 30 percentage points above yesterday's high to 1,210 per cent of nominal value and Banco Popular was np 50 points to equal the year's high of 1,425. In communications, Telefonica again proved a locomotive, jumping 5.5 points to 204.2.

SINGAPORE

AFTER a softer start which ended the surge of the past two trading days, prices in Singapore recovered somewbat on selective buying and short covering to close mixed in active trading.

The Straits Times index lost 2.13 to 851.05 after the recent rally which took it 28.64 higher.

Buying interest continned in properties but was more selective, with Selangor up 14 cents to S$1.44 but City easing 1 cent to S$2.09. Banks were mainly lower, with DBS and Malay Banking, both up the previous day, losing 10 cents and 8 cents to S$7.85 and S$4.80, respectively.

Among the blue chips to rise, Cold Storage was up 8 cents to another 1986 high of S$3.86 and Sime Darby rose 3 cents to S$1.59 in heavy dealing ahead of a 27.5 per cent decline in pre-tax profit to 152.6m ringgit (US$59m) for the year ended June.

HONG KONG

PROPERTY issues led a solid rally in active Hong Kong trading yesterday as the Hang Seng index firmed 27.59 to 1,930.61. Turnover declined slightly to HK$412m from Monday's HK$438m.

Institutional buying, particularly from overseas, was evident in Jardine Matheson and its associate Hongkong Land. The former added 60 cents to HK$16.80 and the latter 30 cents to HK$6.60 ahead of the HK Land's announcement of details of its Dairy Farm spin-off.

LONDON

Profit-taking eats into recent gains

THE RUN of higher sessions came to an end in London yesterday as profit-taking ate into recent gains.

The sales ranged from blue chip to the more speculative issues. British Telecom declined 6p to 198p. Lloyds Bank lost 7p to 465p, while Bass rose 18p to 768p.

The FT-SE 100 share index, down 9.2 at one stage, closed only 5 lower at 1,667.8. The FT Ordinary share index settled 2.7 off at 1,320.0.

Gilts improved early in the sessioo then drifted back to end ¼ lower on the day. The shorts showed little change but index-linked issues rose ¼ in places.

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AUSTRALIA

HEALTHY corporate results and strong institutional demand pushed Sydney higher and buoyed the All Ordinaries iodex 11.4 to 1,211.4. Steady buying for bank and gold-related stocks underpinned the advance.

Reports that the Reserve Bank will permit trading banks to include subordinated loans as part of their capital for gearing purposes prompted a 16 cent jump for ANZ at A$5.20, while Natiooal put on 14 cents to A$5.54 and Westpac at A$4.80 was 10 cents higber.

The BHP takeover arena stocks were generally easier with BHP down 4 cents to A$7.56, Bell Resources 5 cents lower at A$4.85, Adelaide Steamship 10 cents cheaper at A$12.10 and Elders IXL closing 3 cents off at A$4.64. Bell Group managed to resist the trend with its 10 cents advance to A$6.20.

Retailers were busy with Coles Myer 18 cents up at A$4.86 ahead of its results.

Golds were encouraged by the rise in the world bullion price. Placer Pacific gained 12 cents to A$2.32, Central Norseman Gold plcked up 20 cents to A$10.50 and Kidston managed to firm 8 cents to A$6.89.

CANADA

Bolstered by higber prices in the gold and mining sectors, Toronto stocks turned higher from the start, resisting weakness on Wall Street.

Stronger golds included Dome Mines up C$⅜ to C$9⅞, while in metals and mining Inco gained C$⅛ to C$17. Industrials edged lower as actives showed little direction. Top active Acklands slipped C$⅜ to C$19½.

Montreal's market portfolio Index rose 1.66 to 1515.43 on moderate volume as most major share groups advanced.